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EURO-MANAGER
Is it a myth or a real Superman?
Page 16

World News

Triumphant Mandela tries to placate businessmen

The largest political gathering ever held in South Africa saluted African nationalist leader Nelson Mandela on his triumphal return home to Soweto after 27 years in prison.

In an address, Mandela told the South African business community that "the ANC is just as committed to economic growth and productivity as the present employers claim to be," but added that the organisation wanted to address "the inequalities caused by apartheid." Page 20

Gorbachev challenge
Boris Gidaspov, the leader of the Communist Party in Leningrad and widely seen as a major conservative challenger to President Mikhail Gorbachev called for the creation of a new and separate Communist Party for the Russian republic. Page 2

Boat people riot
Mass rioting broke out among thousands of Vietnamese boat people in one of Hong Kong's biggest detention centres, police said. Page 20

Falklands zone cut
Britain provisionally agreed to reduce the size of its military protection zone around the Falkland Islands as part of a move towards restoring diplomatic relations with Argentina. Page 6

SA tour called off
The South African Cricket Union agreed with anti-apartheid groups to curtail a rebel English cricket team's tour. Page 4

Spanish scandal
A political scandal involving the brother of Spain's Deputy Prime Minister took a new twist with the Attorney General's decision to charge five journalists from the Madrid newspaper El Mundo with slander. Page 3

Emissions cut
Germany could cut emissions of carbon dioxide, the most important "greenhouse" gas, by 7 per cent in 20 years without substantial changes to policy, the West German Economics Ministry said. Page 3

Debt write-off call
The world's poorest countries called for an immediate write-off of all outstanding debt, a doubling of official aid and more concessionary loans at a ministerial meeting in Dhaka. Page 4

Cheney visits Seoul
US Defence Secretary Richard Cheney arrives in Seoul today to discuss troop reductions and the role of US forces in South Korea. Page 4

New Greek coalition
A new Greek cabinet was sworn in under Xenophon Zolotas following the collapse of his all-party coalition Government in a dispute over military promotions. Page 2

Four powers meet
Chancellor Helmut Kohl said he expected the four victorious World War Two allies to agree to set up talks with leaders of the two German states to discuss German unification.

Press battle joined
An east European press battle was joined when Robert Maxwell's Mirror Group took a shareholding in Magyar Hirlap, formerly the official newspaper of the Hungarian Government, three weeks after Rupert Murdoch's News International agreed to take part of the glossy weekly magazine Reform. Page 2

Hearts are Trumped
Ivana Trump scorned a pre-nuptial agreement awarding her $25m in a divorce suit and instead demanded $150m, the New York's Plaza Hotel and a Boeing 727 from her billionaire husband.

Business Summary

Fourth quarter losses at Chrysler

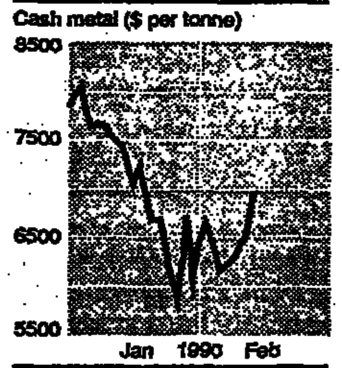
Chrysler, number three Detroit car maker struggling with poor markets and high restructuring costs, reported a $664m fourth quarter loss, its first quarterly loss since 1982. For the full-year profits were much lower than analysts had forecast.

Mr Lee Iacocca, the chairman said, "I'm not going to speculate" whether Chrysler will be profitable in the current quarter. Page 21

MARKETS: Nickel prices closed just below the day's highs on the LME as consumer demand emerged from the US, the Far East and Europe.

Nickel

Cash metal ($ per tonne)



Three-month metal followed up Monday's rise of $155 a tonne with a $390 rise at the close, taking it to $6,885 a tonne. Page 30. Uncertainty about the fate of Drexel Burnham Lambert hung over Wall Street and French and Belgian bourses, while monetary union talks between the Germanies worried Frankfurt. Section II, back page.

MOSCOW'S first "Tecnopark" development of offices, residences, a hotel and laboratories for the commercial development of Soviet technology is to be built and operated by three Italian companies. Page 20

MOWLEM, UK construction group, has made an exceptional provision of £33m, to offset delays in developing the full profitability of London City Airport of which it owns 90 per cent. Page 32; Lex, Page 20.

THIRD World countries called for an immediate write-off of all outstanding debt at a ministerial meeting in Dhaka. Page 4

US Retail sales rose 1.6 per cent in January, an unexpectedly strong performance, after falling by a revised 0.2 per cent in December. Page 20

GLEN Dimplex of Ireland, world's largest electric heating appliance manufacturer, is to buy 51 per cent of KKW, Siemens' electric heating appliance subsidiary and market leader in West Germany. Page 23

DAIMLER-BENZ, West Germany's biggest company, announced it was shifting an important section of its administration to Berlin. Page 23

BOUGAINVILLE Copper, operator of a copper and gold mine in Papua New Guinea closed since May by secessionist violence, said that restarting costs would be high, while a failure to resume would seriously reduce its assets. Page 22

GROUPEMENT Des Cartes Bancaires, France's bank card consortium is heading for an argument with American Express, US financial services group. Page 23

FOREIGN Currencies trading is 32 times greater than world trade, according to a Bank for International Settlements study of the foreign exchange market. Page 24

NATWEST Investment Bank announced it had found a buyer for its 9.16 per cent stake in Blue Arrow, employment group, at a price that will result in a net loss of £53.2m ($90.6m). Page 21

GERMAN LEADERS AGREE NEED FOR ECONOMIC UNION AND END TO EAST-WEST EXODUS

Accord on monetary plan

By David Marsh in Bonn

EAST AND WEST GERMANY agreed yesterday to set up a commission to negotiate the terms of economic and monetary union.

This would include making the Deutsche Mark legal tender in East Germany. Monetary union is an important precondition for fulfilling the two states' goal of full-scale political unity.

Chancellor Helmut Kohl of West Germany said after a meeting in Bonn with Mr Hans Modrow, the East German Prime Minister, that there was a need for monetary union "as quickly as possible," although East Berlin is a long way from meeting the necessary conditions for bringing the two economic systems together.

The talks emphasised that there are still practical obstacles in the way of German reunifation. Mr Kohl and Mr Modrow made clear that they disagree about whether a united German state would be attached to Nato.

Bonn is hoping that the democratically-elected East Berlin Government, to be established after next month's vote, will not support Mr Modrow's suggestion that a united Germany should have neutral status.

However, both sides are anxious to stem the exodus of disgruntled East Germans into West Germany by moving, certainly before the East German elections on March 18, towards monetary union.

Mr Kohl said at a joint press conference: "We want to associate our compatriots in East Germany directly with what we have built up in the Federal Republic over the decades - the D-Mark."

He revealed that 85,000 East Germans had left their homes for the west so far this year, a larger figure than previously estimated. This is in addition to the 344,000 who went to the Federal Republic last year.

Mr Modrow referred to "irritation" about the manner in which Bonn presented its monetary union plan last week. Showing the suddenness with which West Germany is trying to raise the tempo, Bonn did not put forward any written document on the plan.

Details will only be discussed when experts from both sides start talks next week, but no concrete decisions are expected until after the elections.

Although some of Mr Kohl's officials want monetary union before the end of the year, one Bonn Minister said yesterday that it might be 1991 before it was achieved.

Chancellor Helmut Kohl (left) with East German Prime Minister Hans Modrow in Bonn yesterday

The rate and the conditions under which East German Marks will eventually be converted into D-Marks is still completely open. However, the two Germanys yesterday agreed an exchange rate of 2.40 East Marks to DM1 for repayments of industrial support credits which Bonn is starting to make available to East Berlin. This adds to the present regime of five different exchange rates already in force between the two German currencies.

In talks with Mr Modrow and 17 East German ministers, including newly-appointed representatives of opposition parties, the Bonn Government again stressed the need for East Berlin to take simultaneous economic reform measures as part of the monetary union proposals.

The West Germans turned down yesterday Mr Modrow's suggestion that Bonn contribute DM10bn ($6bn) to DM15bn in "solidarity aid" to buttress the East German economy.

Pointing to the DM7bn supplementary budget planned for 1990, much of it East German-related spending, Mr Theo Waigel, the Finance Minister, said that "untied balance of payments credits" could not give the required "signal of hope" for East German citizens.

Delors urges EC summit on East Germany, Page 2; German economic integration, Page 19

EC banks to intensify integration

CENTRAL BANK governors of the European Community yesterday made clear that proposals for currency union between East and West Germany should not stand in the way of economic and monetary union in the EC, Peter Norman reports.

In a rare statement, issued after their monthly meeting in Basle, the committee of EC central bank governors said they believed that "a stable and orderly evolution for eastern European countries will be facilitated by a strengthened European Community."

The central bankers said they discussed recent developments in central and eastern Europe, in particular East Germany. "These events should not be seen as in contradiction with the concept of economic and monetary union within the Community."

Mr Karl Otto Pöhl, the Bundesbank president who chairs the committee, said they agreed that the process of west European monetary integration "has to be intensified." Answering questions after the meeting, Mr Pöhl denied the D-Mark was facing a period of weakness because of German currency union, saying: "It is a strong currency and will remain a strong currency."

Drexel considers filing under Chapter 11

By Janet Bush and Alan Friedman in New York

DREXEL BURNHAM Lambert, the Wall Street investment bank, was yesterday considering filing for bankruptcy protection after a group of banks refused to give it an emergency $350m to $400m line of credit.

Drexel, which created the $200bn market in high-yield, high-risk junk bonds and whose financial position has severely deteriorated because of substantial losses on its bond holdings, said on Monday it was seeking a major investor or merger partner in a desperate bid to raise cash.

The company board was meeting yesterday to decide whether to seek protection from its creditors under Chapter 11 of the US bankruptcy code for the parent holding company and certain subsidiaries. But it would not do so for its broker-dealer, the operating arm of the entire group which engages in all its core businesses including junk bond underwriting, or its government securities subsidiary.

Under Chapter 11 bankruptcy, a company seeks temporary protection from its creditors so it can continue to operate, at least in some form. Drexel's commercial bank backers, including Citicorp and Chemical Bank, met executives of Drexel late into Monday night and yesterday morning but refused to give Drexel the $350m to $400m of emergency funds it sought.

Drexel's liquidity crisis has built very quickly and the collapse in confidence among its creditors on Wall Street was almost immediate. Many primary government bond dealers were reported to be refusing to trade with Drexal yesterday.

Yesterday's moves came on a day which began with Drexel – once the most profitable securities firm in the US – announcing it had defaulted on $100m in loans and further defaults could follow.

Later in the day Mr Frederick Jospeh, Drexel's Chief Executive officer, announced the news to employees on the firm's public address system, known as Drexel line. "The mood here is sombre," said one executive.

The Securities and Exchange Commission, which regulates the brokerage industry, said it had sent "examination teams" to Drexel's Manhattan headquarters and inspectors were working with officials from the New York Stock Exchange although it emphasised that Drexel was in compliance with net capital requirements.

US analysts said it was difficult to see how the broker-dealer could continue to operate given the fact that commercial banks have baulked at further financing the troubled firm and that dealers in the government bond and other financial markets were refusing to deal with Drexel.

Drexel is the investment bank which more than any other typified the vainglorious and buccaneering financial spirit of the 1980s. Its pioneering of high-risk, high-yield securities encouraged an entrepreneurial spirit among US corporations, and was largely responsible for the recent wave of billion dollar takeovers.

Its detractors claim Drexel has been responsible for ladening many erstwhile healthy US corporations with insupportable debt. The junk bond market, which is likely to be the most immediate and direct casualty of Drexel's bankruptcy, held up yesterday having fallen sharply on Monday.

RJR Nabisco's 13.71 per cent junk bonds were down by ¾ point while lower-rated bonds declined by ½ to a full point. Several traders said that the junk bond market had already bottomed out and some reported fresh bidding.

Mr Joseph Perella, partner of Wasserstein Perella, the mergers and acquisitions boutique which has relied heavily on junk bond financing for takeovers, said the market had already taken the Drexel crisis in its stride.

As the drama unfolded, it emerged that the Kuwait Investment Office (KIO) in

Continued on Page 20
When the junk heap topples, Editorial, Page 18; Lex, Page 20

RISE AND FALL OF DREXEL

1935 Burnham and Co founded in New York

1969 Michael Milken joins Drexel Harriman Ripley of Philadelphia

1973 Burnham and Co acquires Drexel Firestone Inc to form Drexel Burnham and Co

1974 Frederick H Joseph joins Drexel's corporate finance department

1977 Milken and Joseph begin to use high yield, high risk "junk bonds" to finance emerging companies

1978 Milken moves the junk bond operation to Beverley Hills

1983 Milken and Joseph begin using junk bonds in hostile takeovers. Drexel's revenue exceeds $1bn

1986 Insider trading scandal. Dennis B. Levine, a Drexel banker, pleads guilty to securities fraud

1987 Ivan F Boesky, a Drexel client, pleads guilty to securities fraud and agrees to co-operate with a US government probe into Drexel. Drexel is Wall St's most profitable firm. Revenue exceeds $4bn

1988 SEC accuses Milken and others of insider trading, stock manipulation and fraud

Drexel agrees to pay $650m to settle Federal actions

1989 April 10, Milken pleads innocent to charges of racketeering and fraud

April 14 John Shad, Former SEC chairman, is named chairman.

June 16 Milken resigns

1990 Drexel announces $40m loss for 1989

Soviet troops try to quell riots as unrest enters second day

By Mark Nicholson in Moscow

TROOPS clashed with angry crowds for a second day yesterday in Dushanbe, capital of the southern Soviet republic of Tadzhikistan, as the Soviet press reported new disturbances in the neighbouring republic of Kirghizia.

The Interfax service of Radio Moscow said rioters had destroyed the city's bus and train terminals and smashed up a hotel, while soldiers exchanged fire with armed civilians perched on rooftops around the Communist Party headquarters.

Casualty figures released by the Interior Ministry in Moscow put the number of deaths at six and injuries at about 70. Moscow radio had earlier put the death toll as high as 37 and said that 80 had been injured as the rioting spread to the suburbs of Dushanbe.

Mr Kakhar Makhkamov, the city's party chief, speaking some 24 hours after a state of emergency had been imposed on the area, said on television that the situation was out of control.

The violence began after up to 4,000 protesters - angered by rumours that 5,000 Armenian refugees had been given priority in receiving housing, of which there is an acute shortage in the city - surrounded the Communist Party headquarters on Monday.

However, party officials said there were only 39 Armenian refugees in the city. Moscow radio said that they, together with 100 Armenian residents of the city, had left for Yerevan, the Armenian capital, for their own safety.

The Dushanbe rioters yester-

Continued on Page 20
Call for separate Russian Communist Party, Page 2; Editorial Comment, Page 18

CONTENTS

Political nepotism rules in land of the rising sons

Nearly every post-war prime minister has a son or-son-in-law in Japanese politics, except Mr Toshiki Kaifu (left). The families of all but five of post-war premiers are also allied to the imperial family.
Page 4

MARKETS

STERLING
New York lunchtime: $1.69
London: $1.691 (1.696)
DM2.835 (2.8325)
FFr9.6375 (9.6325)
SFr2.53 (2.5325)
Y244.0 (244.5)
£ index 88.4 (same)

GOLD
New York: Comex Apr $422.7
London: $419.25 (same)

N SEA OIL (Argus)
Brent 15-day Apr $19.6 (19.325)

Chief price changes yesterday: Page 21

DOLLAR
New York lunchtime:
DM1.695
FFr5.7
SFr1.4965
Y144.35
London:
DM1.6765 (1.6695)
FFr5.7 (5.68)
SFr1.4985 (1.496)
Y144.35 (144.2)
$ index 67.1 (66.9)
Tokyo close: 144.48

US lunchtime rates
Fed Funds $8\frac{3}{16}$%
3-mo Treasury Bills: yield: 7.81%
Long Bond: $100\frac{3}{4}$
yield: 8.43%

STOCK INDICES
FT-SE 100: 2,293.2 (+6.3)
FT Ordinary: 1,818.1 (+7.5)
FT-A All-Share: 1,146.88 (+0.1%)
New York lunchtime: DJ Ind. Av. 2,624.1 (+4.96)
S&P Comp 330.8 (+0.72)
Tokyo: Nikkei 37,107.03 (-181.11)

LONDON MONEY
3-month interbank: closing $15\frac{1}{8}$% ($15\frac{5}{32}$)
Liffe long gilt future: $97\frac{1}{2}$ Mar ($98\frac{22}{32}$)

Commission president wants meeting soon after next month's election

Delors urges EC summit on East Germany

By David Buchan in Strasbourg

LEADERS OF the European Community should hold a special summit soon after East Germany's elections next month to discuss the implications of the results for the EC, Mr Jacques Delors, the Commission president, said yesterday.

Officials of the Irish Government, which currently holds the EC presidency, said they had already been privately weighing the idea.

The next EC summit would normally be held in Dublin in late June, but a meeting of the four powers with post-war control over the Germanys is also likely soon after the March 18 election and an element of EC-Nato institutional rivalry cannot be ruled out of the Delors proposal.

Mr Delors said the Twelve's leaders should "speak out clearly", as they did at their dinner-summit in Paris last November, on the need to make the Community the centrepiece of Europe's new architecture and a home to pan-Germany.

Saying that he was haunted by the possibility that the EC might be thought of as a creature of the Cold War and might be "sidelined," he asked rhetorically: "Why should we abandon construction on one site to start building elsewhere?"

Mr Delors was speaking to the European Parliament, which is beginning to consider the prospect of having a unified Germany substantially larger than any other Community state. Unlike the Commission – where size is only roughly taken into account, with four large countries having two Commissioners and the other eight one – population is supposed to be the determinant of how the 518 Strasbourg seats are shared out.

By population, a united Germany should get up to 18 seats more than West Germany's 81-seat allocation, and some West German MEPs, like Mr Reinhold Bocklet, a Christian Social author of past reports on parliamentary representation, are demanding that.

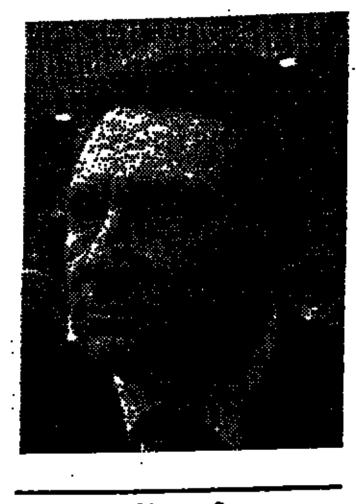
However, others, including Mr Martin Bangemann, Bonn's senior Commissioner, say that demanding extra representation in Strasbourg, or for that matter increased weight in the German vote inside the Council of Ministers, could require full-scale negotiation with West Germany's EC partners and therefore delay East Germany's incorporation into the Community.

Meanwhile, MEPS yesterday clashed over plans to help fund political parties in east Europe's coming election battles.

Centre-right MEPs, led by British Tories, want the parliament to give some Ecu20m (£14.4m), arguing that otherwise parties on the right will lose out to east European Socialists which have fast-developing financial links with their western counterparts and, in some cases, inheritors of Communist power.

However, Mr Jean-Pierre Cot, leader of the Socialist group, largest single entity in Strasbourg, said "parties should dig into their own pockets to help their allies in the East – not hijack taxpayers' money earmarked for other purposes".

Gidaspov calls for separate Russian Communist party



As criticism of President Gorbachev's perestroika mounts, Quentin Peel and Ian Davidson interview one of his leading opponents, the Leningrad Party chief

MR BORIS Gidaspov, the leader of the Communist Party in Leningrad and widely seen as a major conservative challenger to Mr Mikhail Gorbachev, the Soviet leader, has called for the creation of a new and separate Communist Party for the Russian republic.

He said that a new Russian party within the Soviet Communist Party was needed, in response to the rising tide of nationalism in the non-Russian republics.

This move would also create a potential new power base for Russian nationalists and conservative Communists who feel increasingly threatened by the disintegrative effects of Mr Gorbachev's reform process.

Last week, the Communist Party central committee, facing an upsurge in grassroot protests across the country, agreed to abandon its constitutional monopoly on power, against strong objections by conservatives.

The Leningrad party leader, a key figure as the head of the country's second largest city, spelt out a carefully pragmatic conservative position in the current political turmoil, distancing himself both from Mr Gorbachev, and from Mr Yegor Ligachev, the man hitherto seen as the main conservative standard-bearer of orthodox Communism.

He backed the immediate introduction of nationwide rationing of basic commodities, and blamed the current economic crisis on the excessive haste of moves towards a market economy. But he also criticised Mr Ligachev's refusal to countenance individual initiative and private property in agriculture. He said private property was acceptable if it did not involve "the exploitation of hired labour."

Mr Gidaspov has tied his political future to his role in the Party, announcing that he will not contest next month's local elections, in defiance of Mr Gorbachev's explicit appeal to all Party leaders to stand for office. He was only elected Leningrad Party leader last year, since when he has rapidly earned the reputation of a leading neo-conservative in the movement.

His backing for the idea of a Russian Communist Party, which has never been a separate entity within the Soviet Communist Party, is partly a pragmatic response to the demand for greater autonomy, if not outright independence, from the parties in Lithuania and the other Baltic republics, as well as Armenia, Georgia, and Azerbaijan in the south.

However, it is also likely to appeal to Russian nationalists, giving them a clearer identity in the crumbling Soviet and Communist empire.

"A few months ago, I considered this would be very bad for the Soviet Union in general and the Soviet Communist Party in particular," he told a small group of foreign journalists. "The Communist Party united the Soviet Union and was the only party.

"As the situation is now, I support the idea of setting up this Russian Communist Party. After the events in Estonia, Lithuania, Azerbaijan and Armenia, I think that Russia needs its separate party. In that way we will arrive at a new form of relationship between the parties."

He admitted the loss of political authority by the party across the country – but denied it amounted to a popular rejection of Communist ideology.

"It is not a crisis of ideology. It is a crisis of the economic decisions we have taken in recent times," – *a clear criticism of Mr Gorbachev's leadership.*

Yet, he did not condemn the ultimate direction of reform, only its speed. "A direct transition from a command system to a more or less free market should take much more time, and there should be more thought given to it," he said. "We are always running somewhere, trying to go too fast."

Maxwell buys stake in Hungarian newspaper

By Nicholas Denton in Budapest

AN EAST European press battle between Mr Rupert Murdoch and Mr Robert Maxwell *looked set last night* when the Mirror Group took a major shareholding in Magyar Hirlap, formerly the official newspaper of the Hungarian Government.

Mr Maxwell bought his 40 per cent stake – for a bargain price of $800,000 – in one of Hungary's largest dailies three weeks after Mr Murdoch's News International finalised an agreement to take half-ownership of Reform, a glossy best-selling weekly, and its tabloid daily offshoot, Mai Nap.

Mr Maxwell, like Mr Murdoch, regards his Hungarian investment as the first of several in eastern Europe. In January Mr Murdoch visited several east European countries. Mr Maxwell said yesterday that he has invitations to Romania, Poland and Yugoslavia, and plans investment in Czechoslovakia and the Soviet Union.

Competition between the two press barons in Hungary had its limits, said Mr Maxwell: "Magyar Hirlap will not go down to the level of the paper invested in by Mr Murdoch."

The Mirror Group will manage Magyar Hirlap, contribute know-how, computer technology and capital, and will set up a modern print works to print the newspaper, but the agreement specifies that the British company will not interfere in editorial matters. The independence of the publication will be guaranteed by a directorate with an inbuilt majority of Hungarians, and Hungarian and British shareholdings are fixed for the time being.

Mr Maxwell admitted yesterday that he has "a reputation as a hands-on editor and publisher who does indeed interfere in the editorial content of papers." But this was only true in his own country, he added.

The latest changes will be in the financial management of the newspaper. "Until now the editors were not interested in how much money they spent," Mr Peter Nemeth, news editor in chief of Magyar Hirlup, said. Advertising managers were little better: "Many times they sent away people who wanted to place advertising. 'No space,' they said."

Staff cuts are in prospect as well as changes in attitudes. Over a quarter of journalists will lose their jobs over the next few months. "No matter how pretty we package it, it will be rough," Mr Maxwell said. For those who remain, salaries could increase by 50 per cent, going by the experience of other joint ventures, says Mr Les Bonnet, head of Price Waterhouse in Hungary.

In the short term it would be impossible to make profits, Mr Nemeth said. But he hoped that if the Hungarian economy prospers, so would Magyar Hirlup and the newspaper could be in profit in two years.

The prominent involvement of western press magnates in Hungary is bound to provoke controversy. Some leading members of the conservative Hungarian Democratic Forum, the largest opposition party, have already criticised Mr Murdoch's Sky satellite channel for debasing Hungarian culture.

In addition, the sale of the government newspaper for such a small amount adds weight to claims of populist politicians that Hungary's birthright is being given away to foreigners. Privatisation is already beginning to dominate next month's elections. The government envisages that 30 per cent of Hungary's GDP will be transferred to the private sector in five years.

Mr Murdoch paid more than Mr Maxwell for his Hungarian press empire – $1m for 50 per cent of Reform and $3m for 50 per cent of Mai Nap – but now owns two of the most profitable publications in Hungary.

Reform has just announced profits for the last three months of 1989 which amount to a 200 per cent annual return on capital.

Revolutionary fervour passes by sleepy E German villages

By David Goodhart, recently in Wolfsruh

FOR the 10 per cent of the East German population who live in the countryside, life plods on as it always has done. In Wolfsruh, 100 miles north of East Berlin, nobody has left for West Germany and there is no evidence of a collapse, or even a deterioration, in living conditions.

Even last year's revolutionary changes have largely bypassed East Germany's villages. At Neulogow, up the road from Wolfsruh, the local collective farm sacked a few party members from its executive to show some revolutionary spirit, but at other farms they have not even bothered to do that.

However, a group of Neulogow farm workers, idling near a cattle shed in the early afternoon, expressed fears that former owners who fled to West Germany after compulsory collectivisation might try and reclaim their land.

Mr Eberhard Fandrey, 32, also doubted whether the farm could compete within the European Community - and pointed to the 1970 tractor which needs two hours' servicing for every two hours it runs.

Back at Wolfsruh, where Soviet helicopters still screech overhead, the annual meeting of the highly indebted collective farm passed off with scarcely a mention of political changes. Mrs Rosemary Goeres, a secretary on the farm, said: "Me and my husband kept quiet to allow the young people a say in how things should change but nobody said anything - they've lost their voices".

Vast tracts of East Germany's agricultural land are so polluted that crops, meat and other products worth millions of dollars have to be destroyed each year, Reuter reports.

***The farmers' daily* Bauern-Echo quoted a plant chemist as saying about 520,000 hectares of farmland were affected by emissions of sulphur dioxide and other pollutants spewed out by antiquated factories.**

The chemist, Mr Gebhard Ruehle, said some greenhouses were so smeared with industrial soot that yields for tomatoes, peppers and cucumbers were 15 to 20 per cent below average.

Pollution caused yields and quality of milk, meat, fodder, grain and vegetables to drop and in some cases meant destroying these products, he said. Flower growers in particularly polluted areas had to throw away 30 per cent of their produce because the blooms were dirty. Mr Ruehle estimated the annual cost of damage to farm land at around $113m.

She earns only 500 East German a month, her husband 600 marks, and they supplement their income by growing vegetables and keeping pigs on a small plot of land. But unlike workers in the polluted industrial south, most people in the countryside, while welcoming the revolution, are not particularly dissatisfied, says Mrs Goeres.

Evidence of imminent collapse, even in the cities, remains scarce. One senior Bonn official last week claimed that thousands of shops were now only accepting D-Marks. In fact, only a handful have started charging in D-Marks and most of these are selling exotic fruits and have therefore had to buy the products in the West German currency.

On the other hand, the local government correspondent of the semi-official Neues Deutschland reported yesterday that 84 mayors in the area around Potsdam had either resigned or been sacked.

He also reported that economic production in the area in January was 3.4 per cent below the previous year and 9,000 work-places remained unfilled.

New Greek cabinet sworn in

By Kerin Hope in Athens

A NEW Greek cabinet was sworn in yesterday under Mr Xenophon Zolotas following the collapse on Monday of his all-party coalition *Government* in a dispute over military promotions.

Mr Zolotas, who is expected to stay on as Premier until the April 8 general election – the third in a year – said the new Government would try to complete economic reforms undertaken by the coalition.

However, the new 27-member cabinet, made up of non-political personalities who also supervised last November's inconclusive election, has only 10 parliamentary working days available before the election campaign begins.

There seems little chance that planned legislation on collective wage bargaining, privatisation of ailing state-owned industries and tax reform, as well as new measures to combat air pollution in Athens, can be passed in such a short time.

● Greece's current account deficit for January to November last year reached $2.51bn, more than three times the 1988 *figure of* $799m, according to details released yesterday by the Bank of Greece. The November deficit rose to $593m, up from $205.5m the previous year.

A Bank of Greece official called the results disappointing, but noted that a higher proportion of foreign exchange earnings from tourism and Greeks working abroad was being held outside, apparently because of fears the drachma might be devalued.

Income from tourism declined by 17.7 per cent and from workers' remittances by 20 per cent, while funds imported for housing purchases fell by 18.2 per cent. The trade deficit rose to $8.21bn, up from $7.02bn in the first 11 months of 1988, as importers stockpiled goods during months of political uncertainty under successive coalition governments.

Daimler to open Berlin offices

By David Goodhart in Bonn

DAIMLER-BENZ, West Germany's biggest company, yesterday announced it was shifting an important section of its administration to Berlin, which could be the prelude to a widespread corporate relocation to the city as its political and economic importance grows.

Daimler said it would be relocating the headquarters of its new services division – the fourth leg of the business after Mercedes-Benz, Deutsche Aerospace and AEG – to the western side of Potsdamer Platz, in the heart of the city. It would also be building up the services division in Berlin, which could eventually produce 6,000 jobs.

West Berlin lost much of its industrial base, and most of its corporate headquarters, after the war, and despite generous subsidies it has not attracted very much back. Recently it has concentrated on developing its potential as a centre for service industry and for East-West trade.

Other companies that may follow Daimler's lead include Siemens, which once had its headquarters in the city. There is speculation that the headquarters of the new Siemens-Nixdorf group may move to Berlin.

Daimler already has about 12,000 employees in Berlin including 7,000 with AEG. Although no new deals with East German partners have recently been announced, the company – mainly through AEG – has some co-operative projects.

Commission split on UTA takeover

By Lucy Kellaway in Brussels

THE European Commission is divided over whether to object to the recent takeover of UTA by Air France. It is due to make a decision at its weekly meeting today.

Sir Leon Brittan, the competition commissioner, will argue that the deal has clear competitive implications, and that formal procedures should be opened. Other commissioners – including Mr Jacques Delors, the commission president – are thought to be in favour of waving the takeover through with few, if any, strings attached.

The Commission will have in front of it a report showing that after the takeover Air France would control almost all routes allocated to French airways and would have a much larger share of its own market than, for example, British Airways has of the UK market. The report concludes that if the deal is allowed to go ahead it would restrict competition – which would give the Commission clear power to intervene.

The harshest option would be to send a formal statement of objection to Air France, which would then be obliged to discuss corrective action with the Commission – amounting to anything up to a complete divestment.

Although Sir Leon would like the matter settled quickly, divisions within the Commission may prove so deep that a decision has to be postponed.

The case comes as the EC is trying to open up the air transport market. Any sign that the Commission is being soft with Air France would undermine the credibility of its policy.

UK bids for European Development Bank HQ

By Peter Norman, Economics Correspondent

BRITAIN yesterday formally announced its bid for the European Bank for Reconstruction and Development to be sited in London.

Mr Francis Maude, Minister of State at the Foreign Office, said the bank, which is being set up to help eastern Europe's transition to market-based economic systems, should be situated in Europe's largest banking centre.

However, Britain is likely to face a tough fight in its bid for the bank's headquarters. Prague and Amsterdam are also contenders and Berlin is thought to be preparing a bid.

Following recent meetings of EC officials, member states have reached broad agreement on how they would like the bank to be structured. The EC position is that the bank should be capitalised at Ecu10bn (£7.2bn or $12.19bn), of which 30 per cent would be paid in, with member states and Community institutions having 51 per cent of the bank's capital and 11 of the 20 seats on its board of directors.

Under EC plans, Japan and the US would each have 8.5 per cent stakes in the bank, as would Britain, France, Italy and West Germany. But it is thought that the US would like a bigger share.

Carlsson set to lose crisis vote

SWEDEN'S minority Social Democratic Government is likely to lose a parliamentary vote tomorrow on its two-year wage, price, rent and dividend freeze after the Communist Party decided to oppose the crisis package, writes Robert Taylor in Stockholm.

Mr Ingvar Carlsson, the prime minister, said yesterday he intended to stand firm on the package. He has already agreed to drop a proposed strike ban. The prospect of a spring general election is growing.

Denmark reduces debt

Denmark's net foreign debt declined slightly last year for the first time for almost 20 years, falling from DKr296bn ($45.9bn) to DKr295bn, writes Hilary Barnes in Copenhagen. This still leaves the debt at close to 40 per cent of gross domestic product, however.

The current balance of payments remained in deficit, for the 26th successive year, at DKr10.2bn, down from DKr11.9bn in 1988 and a peak of DKr35bn in 1986.

There was a surplus on visible and invisible trade of DKr23.9bn, up from DKr18.4bn in 1988, but this was more than cancelled out by other items, including interest on the debt of DKr33.1bn.

Ambassadors replaced

Poland's Solidarity-led Government, consolidating its control over foreign affairs, is replacing 19 ambassadors appointed by previous Communist governments, according to a newspaper article yesterday, AP reports from Warsaw.

Among the ambassadors being recalled are the envoys to Czechoslovakia and East Germany, the pro-Solidarity daily Gazeta Wyborcza said.

Havel's wheels of power

Czechoslovak President Vaclav Havel uses a child's scooter to speed his way through the corridors of power, Reuter reports from Prague.

The 53-year-old head of state said yesterday an organisation called the Committee for a Merrier Presence gave him the scooter after hearing of the huge offices and long corridors he had to negotiate in Prague's Hradcany Castle.

Soviet film makers gather to reshape industry

By Charles Leadbeater in Moscow

SOVIET film makers will today take the most radical step yet in their attempt to restructure the industry and free it from the state control and censorship which has characterised it for decades.

Hundreds of members of the Union of Film Makers are expected to gather in Moscow to establish an association designed to foster the development of independent, co-operative film studios and distribution companies which will compete with the official industry.

The plan is part of a far-reaching strategy drawn up by the union to transform all the state's 39 studios into co-operatives by 1994. The strategy is expected to be approved within the next few days by Mr Nikolai Ryzkhov, the Prime Minister.

All studios will become self-financing in the next year, with state orders for films drastically reduced. Senior members of the union's executive believe that several studios will go bankrupt in the course of the year.

In anticipation of this the union has set up an unemployment fund for film makers unable to find work. Mr Arther Ermakov, the executive secretary of the union's board said: "The aim is to get rid of people who have made dozens of films which have never been successful."

If a director, cameraman or any other member of the artistic workforce of a studio cannot find work the union has agreed it will pay them 100 per cent of their salary in the first year, declining to 50 per cent of salary in the third year and, thereafter, if they have not found work with a studio they will have to change professions.

In the past, film directors, actors and other film workers have been permanently employed by studios.

Romania's Invisible Men prove visibly obstructive

Few changes can be made while the old regime's beneficiaries remain in place, writes Judy Dempsey

THE Invisible Men are back. Indeed, they never went away. They simply waited to see which way the wind was blowing. The tens of thousands of bureaucrats and low-level Securitates remain in the ministries and in the economic institutes refusing to change and obstructing any measure the Front for National Salvation takes.

But seven weeks since the overthrow of the regime of the late dictator Nicolae Ceausescu, the FNS has made many blunders which only served to perpetuate the awesome power of the bureaucracy and the former party apparatus. This has undermined the Front's credibility.

The first was its hesitation in pushing through radical changes, especially in the ministries. When Mr Nicolae Nicolae, the Front's Minister for Foreign Trade, who, like many others has no impeccable past to boast about, attempted to clean out this deeply conservative ministry, the bureaucrats struck back. They accused Mr Nicolae of belonging to the Securitate. In return for their silence, Mr Nicolae resigned.

In early January, Mr Ion Stolojan, deputy Minister for Finance, tried to implement personnel and policy changes in his ministry. The old guard went on strike and the ministry is barely functioning.

At the same time, the euphoria of the revolution has given way to rapidly rising expectations. There are strikes and demonstrations every day. People want results – more food, more consumer goods and an end to their miserable existence.

Some of the demonstrations are manipulated by the Front, the opposition and the bureaucracy. The result is the same – a state of flux and instability.

The Front last week set up a provisional Council for National Unity which will act as an interim parliament until May 20 when elections are to be held.

The CNU consists of 253 members, made up of representatives of 37 political parties, nine ethnic minorities and a group of former political prisoners. Each has three representatives in the new parliament in addition to the 111 members of the old Council of the FNS, who, for the moment, still control the agenda.

Senior military officers demanded yesterday that the armed forces should be purged of all personnel involved in killing civilians during Romania's December revolution, Reuter reports from Bucharest.

Spokesmen for a group of 40 officers up to the rank of colonel said they had been negotiating a list of 13 demands at the headquarters of the National Salvation Front in Bucharest since Monday evening.

These included removal of the defence and interior ministers – both generals – and their replacement by civilians.

The officers also want a complete public account of the army's role in the deaths of up to 700 civilians in clashes before the execution of dictator Nicolae Ceausescu on December 25.

The Front was politically astute in co-opting the opposition, since the responsibility for the country is now more widely shared. But it also means that any unpopular measures will be postponed until after the elections.

In their defence, some Front members say that radical reforms would have led to even more instability. But they know too that such measures would have cost them valuable votes at a time when sections of the population are growing disillusioned with a Front which is seen as a safe house for communists.

Against this background of uncertainty, the electoral campaign promises to be the dirtiest in eastern Europe.

The Front will be accused of protecting the Securitate which caused unbelievable moral and social damage to during 45 years of totalitarian rule.

Indeed, it has sentenced a mere four people of the old regime. Also, it has not said, for instance, how many people died in the revolution, how many members of the Securitate were arrested, who is guarding the Securitate files and how many Securitate and bureaucrats still hold their jobs.

It appears that that the Front, in deference to the power of the bureaucracy, has not carried out any purges for fear that the old guard will seek revenge by naming names.

The National Peasant Party, one of the two "historical" and strongest parties of the interwar period is at the forefront in seeking revenge for the Ceausescu period. Mr Corneliu Coposu, its leader and Mr Valentin Gavrielescu, its spokesman, were imprisoned for 15 years in 1947 when the communists banned political parties. Senior members, who loathe the Front, say it is dominated by communists and Jews.

"It is a disgrace that the Prime Minister is not a Romanian," a NPP member said. Mr Petre Roman is a Jew.

The NPP's disdain is just as great for Mr Silviu Brucan, the Front's foreign policy expert who is also Jewish. But they resent him more for his stint as editor of Scientea, the mouthpiece of the Communist Party under the Stalinist regime of Mr Gheorghe Gheorghiu-Dej, Ceausescu's predecessor.

The economy is also fertile ground for dirty politics. The Front tells the workers in the enterprises in Bucharest, where it is particularly strong, that the NPP wants to sell out to "the capitalists". This is the argument used in the interwar years when German capital rolled into the country. For its part, the NPP accuse the Front of wishing to retain the influence of a strong state.

"There are only two options for our economy – a centralised economy or a market economy," says Mr Bogdan Teodoriu, a member of the Front's economic commission. "But the problem is how to make the transition to the market economy without too much disruption or instability. We just can't close down bankrupt factories overnight and throw the workers onto the streets. The transition will take time."

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EUROPEAN NEWS

Journalists charged in Spanish scandal

By Tom Burns in Madrid

A POLITICAL scandal involving the brother of Spain's Deputy Prime Minister has taken a new twist with the Attorney General's decision yesterday to charge five journalists from the Madrid newspaper El Mundo with slander.

The charges, which carry a maximum penalty of 12 years in jail, are the first brought against a newspaper by Mr Felipe Gonzalez's Socialist administration. They relate to a report in El Mundo last month about the Government's granting of subsidies to a property company linked to Mr Juan Guerra.

Ten days ago Mr Alfonso Guerra, the Deputy Prime Minister, admitted to parliament that his brother Juan had been allowed the use of a government office in Seville, but he denied any knowledge of his brother's business dealings.

After the debate, Mr Gonzalez sprang to the defence of his deputy saying he would seek criminal charges against those who accused the Government of prevarication and that if Mr Guerra were hounded out of office amid suspicions of dishonourable dealings, he too would resign.

The press allegations levelled at Mr Juan Guerra, a former door-to-door encyclopaedia salesman, centre on the alleged manner in which he used the Seville government office over the past five years and his close ties with the Deputy Prime Minister to act as a middleman for domestic and foreign developers, becoming a wealthy real estate entrepreneur as a result.

The slander charges have provoked widespread criticism in the press and brought the Socialist Government's relations with the media to their lowest ebb to date.

● Spain's consumer price index rose by 1 percentage point in January to bring annual inflation down by 0.2 points to 6.7 per cent. Government officials believe the rate could be cut to 5.7 per cent at end of this year. The January figure compared with a 1.2 per cent jump a year earlier.

West Germans hopeful on carbon dioxide emissions

By David Thomas, Resources Editor

WEST Germany could cut emissions of carbon dioxide, the most important "greenhouse" gas, by 7 per cent in 20 years without substantial changes to policy, the West German Economics Ministry has predicted in an unpublished paper.

The paper was presented to a closed meeting of officials from the main industrialised nations held after the main conference of the Intergovernmental Panel on Climate Change, a United Nations-sponsored body, in Washington last week.

The West German representatives at the meeting argued that current trends, such as investment in less polluting cars, would result in a substantial decline in emissions of carbon dioxide.

The only additional assumption made by West Germany's Economics Ministry in its calculations was that there would be an additional tax on energy, which would build up to a 20 per cent increase in the cost of energy derived from fossil fuels by the year 2010.

Environmentalists are likely to seize on West Germany's projections in the run-up to a further international meeting on climate change later this year, which is due to consider global targets for the reduction of carbon dioxide emissions.

They will argue that targets currently being debated, such as a stabilisation of carbon dioxide emissions, are much too modest in view of the West German projections.

France is the only other large country predicting a substantial reduction in carbon dioxide emissions, mainly because of the big component of nuclear power in its electricity generation. The French representatives predicted a 43 per cent decline in carbon dioxide emissions by 2010 compared with 1985 levels.

The UK, by contrast, is predicting a 38 per cent increase, while officials from Japan's Ministry of International Trade and Industry presented a paper predicting increases ranging from 23 to 44 per cent.

Bidders line up for Portugal TV

By Patrick Blum in Lisbon

THE BATTLE for control of private television in Portugal has begun in earnest following the Government's announcement last week that it will present proposals to parliament soon allowing two private nationwide channels.

Six large Portuguese groups have indicated strong interest in participating in, or setting up, the new networks. International companies are also expected to bid for stakes although foreign shareholdings are likely to be limited to 10 per cent. Single Portuguese shareholders will be limited to a 25 per cent stake.

At present Portugal has two state-owned and run national channels, both with advertising, plus cable and satellite.

Mr Anibal Cavaco Silva, the Prime Minister, said the proposals could be adopted before parliament's summer recess, allowing companies to be chosen and broadcasting to start next year.

The proposals have yet to be fleshed out, leaving room for a considerable amount of lobbying during the next months. They envisage giving the powerful Roman Catholic Church a "preferential" stake in one of the channels.

Operating licences would run for 15 years. Advertising would be limited to 15 per cent of daily broadcasting and to no more than 12 minutes per hour. At least half the programmes would have to be in Portuguese and 10 per cent of them Portuguese productions. Some analysts believe this may be over-ambitious in view of the Portuguese industry's relatively limited resources.

Parliament last week adopted a privatisation law which aims for the greatest flexibility by allowing each sale to be dealt with on a case-by-case basis. It permits the full sell-off of state-owned companies (until now only 49 per cent could be sold), though the Government reserves the right to keep a majority stake in "strategic" industries.

OVERSEAS NEWS

Sky's the limit for airliner sizes

Stand by for double-decker 'flying Orient Express', writes **Paul Betts**

THE world's three leading commercial airliner manufacturers – Boeing and McDonnell Douglas of the US and the European Airbus consortium – are planning to develop double-decker long-range aircraft to increase their penetration of the expanding Asian-Pacific long-distance market.

Airbus yesterday unveiled a project to build a "flying Orient Express", a double-decker version of its A340 long-range aircraft with luxury sleeping accommodation for first-class passengers on a lower deck.

Boeing confirmed it was studying the development of a larger jumbo, a 747 Super with seating capacity for between 500-600 passengers.

McDonnell Douglas is planning a "stretched" version of its new MD11 long-range jetliner with a panorama deck.

At a Financial Times conference on commercial aviation in the Asia-Pacific region on the eve of the Singapore Air Show, Mr Stuart Iddles, senior vice-president commercial of Airbus Industrie, said the European consortium was looking at a range of concepts to enhance the comfort of its new A330/A340 family of long-range aircraft.

Apart from adding extra seats on a new lower deck in the A340 four-engine airliner, Airbus was also considering

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COMMERCIAL AVIATION IN THE ASIA PACIFIC REGION

using the lower deck to provide a separate lounge and dining area for passengers to reduce the monotony of a 12-14 hour non-stop flight.

"One could even provide a gymnasium to enable passengers to tone up in flight," Mr Iddles said. Another possibility was to provide sleeping accommodation to transform the A340 into a "flying Orient Express", he added.

"Very high comfort and privacy could be provided for all 18 first-class passengers to sleep away their journey and arrive fully refreshed at their destination," he said.

Mr Iddles also disclosed plans to develop a double-decker stretched version of the A330 twin-engine wide-body jetliner, which would increase seating capacity by 50 seats to 463.

However, Mr Iddles said Airbus had decided not to consider developing the A330 or the A340 with folding wings. Some airlines had asked Airbus to examine the possibility of developing folding wings to enable the new airliners with their big wing spans to operate from relatively small airport terminal gates.

"The weight and performance penalties were not acceptable and the certification authorities were, to say the least, cool," he explained.

McDonnell Douglas has also rejected the idea of folding wings. Mr Louis Harrington, head of its MD11 programme, said the first MD11 was expected to enter service this year.

The next step in the programme was the addition of a stretch version of the MD11, increasing seating capacity from 293 seats to 368. The stretched version would include a panorama deck. McDonnell Douglas also has longer-term plans to build an even bigger stretch version of the MD11.

Boeing is poised to take a $5bn decision to develop a wide-body medium- to long-range aircraft programme, the 767-X, also known as the 777. Boeing is considering offering a 777 version with folding wings.

Mr Dean Thornton, president of Boeing's commercial aircraft division, said the company was discussing the requirements of potential customers for the 777. After the 777, if launched, the next aircraft Boeing intended to develop was a bigger jumbo, the 747 Super "for super big", Mr Thornton said.

He suggested there were doubts inside Boeing whether a "super jumbo" would be viable. "But in my opinion, a 747 Super happens at the end of this century. It carries more people and perhaps has a longer range," he said. However, there are also doubts whether Boeing, although financially strong, can risk investing in both the 777 wide-body programme and a super jumbo project.

Mr Otto Schneider, president of the West German travel agents association, appealed at the conference for improvements for long-distance economy class passengers.

Considering the cheapest flight from Europe to Singapore still cost as much as an average monthly salary of an average citizen, Mr Schneider said conditions of economy class travel were "simply incredible". He said airlines and aircraft makers should think hard about how they can offer more comfort for low-price passengers. Current conditions, he said, were "the modernised form of the transport of emigrants below deck in the last century".

LEGAL NOTICES

NORMAN HENSHER LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at The Grange Moor Hotel, 4 St Michaels Road, Off Tonbridge Road, Maidstone, Kent on Monday 26 February 1990 at 10.30 am for the purpose of having laid before it a copy of the report prepared by the Joint Administrative Receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors are only entitled to vote if:

(a) they have delivered to me at the address shown below, no later than noon on 23 February 1990, written details of the debts they claim to be due to them from the company and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with me any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

N.J. Vooght
Joint Administrative Receiver
Dated 3.2.90.

COMPANY NOTICES

Notice of adjustment Subscription Price and Conversion Price

SONY CORPORATION

US$ 100,000,000 7⅛ per cent Bonds 1990 with Warrants
and
JPY 30,000,000,000 2 per cent Convertible Bonds due 2000

Notice is hereby given pursuant to Condition 7(C) of the above Bonds with Warrants and Condition 5(C) of the above Convertible Bonds that the Subscription Price and Conversion Price, respectively, have been adjusted as a result of an issue of Unsecured Bonds due 1994 with Warrants by way of public offering.

	Before Adjustment YEN	After Adjustment YEN
Bonds 1990 with Warrants: Subscription Price	4,469.00	4,467.00
Convertible Bonds due 2000: Conversion Price	4,578.00	4,575.90

Effective Date: 14th February, 1990, Japan Time

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Poorest countries seek debts write-off

By Ahmed Reazuddin in Dhaka

THE WORLD'S poorest countries called for an immediate write-off of all outstanding debt, a doubling of official development aid and more concessionary loans at a ministerial meeting in Dhaka.

Ministers from 30 of the 42 least developed countries (LDCs) attended the meeting and drew up a list of measures to be pressed at the second UN conference on LDCs in Paris in September.

The ministers said a reduction in the debt servicing burden of the LDCs was an urgent priority. They also urged the international community to help the LDCs gain access to commodity markets, saying there was wide scope for further improvement of the general system of preferences (GSP) schemes, whose impact on LDCs exports has so far been minimal.

They demanded duty-free treatment for exports, exemption from quotas and ceilings and the use of simplified and flexible rules of origin. The countries hoped the donors would reach the target, set in 1981, of 0.15 per cent of GNP as aid to LDCs during the 1990s. During the 1980s only 0.09 per cent was achieved.

Aggregate growth in the LDCs was 2.3 per cent, against the target of 7.2 per cent. The population growth was 2.6 per cent. Export earnings fell by 0.4 per cent and the debt burden increased from $36bn to $65bn. The terms of trade worsened by 2.6 per cent a year.

A mission of four ministers will tour donor countries to brief governments on the scale of LDCs' problems and needs before the UN meeting.

The ministers urged the UN meeting to adopt a new action programme for the 1990s to improve the economic conditions in the 42 countries, of which nine are in Asia, 28 in Africa, one in Latin America and five in Oceania. Their total population is 400m.

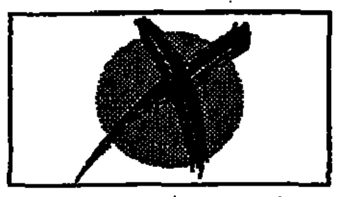
Political nepotism rules in the land of the rising sons

Next Sunday's elections in Japan are proving to be a family affair, Stefan Wagstyl reports

FOR Mr Kenji Kosaka, a candidate in the forthcoming Japanese general election, politics is a family affair. He is fighting a seat previously held by his father, grandfather and great-grandfather. Mr Zentaro Kosaka, his 77-year-old father, who has just retired, is campaigning enthusiastically on his son's behalf.

Far from being new in Japanese politics, nepotism is, if anything, endemic, and especially so inside inside the ruling Liberal Democratic Party. In the mid-1980s it was calculated that only one LDP MP under the age of 40 was not related by birth or marriage to a sitting or retired member. The difference now is that the generational change, hitherto incremental, is verging on the wholesale, as those who won their seats in the years immediately after the war retire from politics.

Some 168 of the 953 candidates in Sunday's poll have inherited their place on the hustings, more than ever before. Most of them, like Mr Kosaka, represent the LDP, but a few are standing for opposition parties, including the Japan Socialist Party. If the election turns out as predicted and the LDP retains a narrow majority, the number of "second generation" members of



JAPANESE ELECTIONS

the lower house of the Diet (Parliament) is expected to rise from 130 to about 160 – nearly a third of the total.

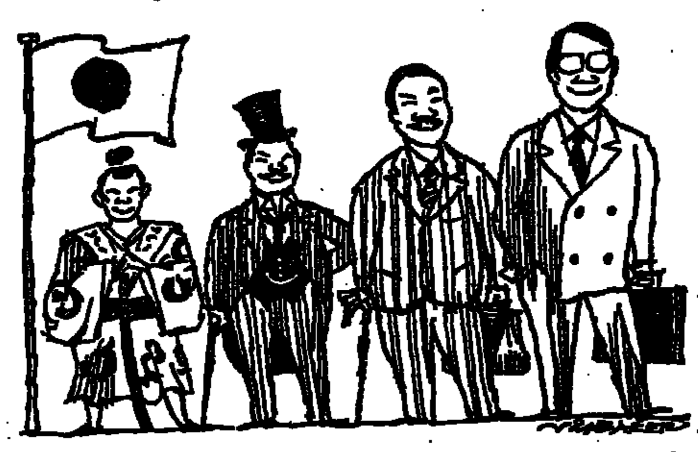
Political critics routinely denounce nepotism as undemocratic. Mr Takayoshi Miyagawa, head of a private political research centre, says: "Once 80 per cent of politicians were interested in the good of people at large and 20 per cent of them in promoting themselves and their families. Now it is the other way around." Public interest in the issue has mounted in the wake of the Recruit financial scandal, which highlighted the importance in Japanese politics of personal contacts and huge amounts of money.

Direct attacks on individual second-generation politicians are rare; their opponents are reluctant to provoke the wrath of the political dynasties. Moreover, outside the big cities, many voters feel bound by traditional loyalties to prominent local families. They vote for Mr Kosaka junior for no other reason than that they voted for his father. Nevertheless, there are candidates standing against second-generation men.

Among them is Mr Shusei Tanaka, a self-made university teacher, who is contesting the same constituency in Nagano as Mr Kosaka. Mr Tanaka does not mention Mr Kosaka by name. But he says: "People must vote for a candidate who has not inherited his seat and is not a second-generation politician."

Nearly every post-war prime minister has a son or son-in-law in politics, though Mr Toshiki Kaifu, the present office-holder, is an exception. But among his predecessors, Mr Noboru Takeshita has a daughter married to the son of Mr Shin Kanemaru, a party elder statesman. Mr Yasuhiro Nakasone has a son in the upper house. Mr Takeo Fukuda is campaigning at the age of 84 to win a lower house seat for his son. So is Mr Zenko Suzuki, aged 78. It used to be said of the late Nobusuke Kishi, whose son-in-law, Mr Shintaro Abe, hopes to succeed Mr Kaifu, that "in Japanese politics blood flows thicker than water and most of it is Kishi's."

Mr Suzuki already has a



son-in-law, Mr Taro Aso, in the Diet. Mr Aso is in turn the grandson of Mr Shigeru Yoshida, another former prime minister, and a brother-in-law of Prince Tomohito, a cousin of the emperor. The families of all but five of Japan's 19 post-war prime ministers have in one way or another allied themselves by marriage to the imperial family.

As well as status, family ties secure money. Mr Takeshita and Mr Nakasone both have daughters married into families owning the Takenaka and Kajima construction companies. The construction industry is one of the LDP's most generous supporters.

In Tokyo, the Kosakas sit near the edge of these circles of power. But in Nagano, they are right in the centre, one of the wealthiest families in the prefecture, with investments which include a stake in Shin-Etsu Chemical, a leading Japanese chemicals group. Big local companies support Mr Kosaka with money and with holidays for employees who want to attend his campaign rallies.

A Kosaka aide says that when Mr Kosaka senior retired the campaign committee considered five or six candidates. "Mr Kosaka junior was chosen because he was the best person. It doesn't matter if you are a second-generation politician as long as you are working for Japan and your constituency."

But there are signs that Japanese voters' tolerance for nepotism may be wearing thin. One opinion poll company estimates that in the last general election in 1986 only half of the LDP's second-generation candidates who were standing for the first time won their seats. This time only one third may be successful.

Even though the Recruit scandal had nothing to do with nepotism it highlighted the way politicians put their private interests before public ones and increased demands for change.

But the distinction between private and public interests is blurred in Japanese electoral politics. The typical constituency for the Diet's lower house has three, four or five seats – so members of the LDP run against each other. Successful candidates have to build personal followings of thousands of supporters who are bound together by a mixture of promises, favours and occasional bribes. These organisations do not belong to a party but to an individual. It is easy to see why nepotism flourishes in these conditions and very difficult to see how it might be rooted out.

Fujinami: local issues

Dumpling candidate rises above Recruit scandal

By Robert Thomson in Ise, Japan

KNEELING on *tatami* mats, 55 elderly citizens listen to their local candidate, Mr Takao Fujinami, former Chief Cabinet Secretary and star defendant of the ongoing Recruit scandal trial, explain that "I stand naked before you."

His blue suit decorated with a giant white rosette, the candidate is as well known to the locals for his family's sweet bean dumplings and his skill with traditional verse as he is for his politics and policies.

Even the dumplings, made by his family for more than a century, have been tainted by the Recruit stock scandal. They are formally known as Rikyu dumplings, having been named after a tea ceremony master, but pun-loving Japanese now call them "Recruit dumplings".

The scandal-affected campaign, backed by old friends and staffers who have invested careers in a man once considered a likely future prime minister, is on the verge of success. Local opinion polls suggest he will take the third of four seats in the Ise electorate, on the south-east coast of the main Japanese island, Honshu.

Standing as an independent, but certain to rejoin the ruling Liberal Democratic Party if he is acquitted, Mr Fujinami addresses from 30 to 50 small gatherings a day, making a point of shaking hands with everyone. While apologising profusely for the embarrassment caused by Recruit, he maintains his innocence of the charges of taking bribes from Recruit, an information and employment company.

Typical of Mr Fujinami's helpers is Mr Takao Yamanaka, 57, who went to primary school with him and has assisted in eight election campaigns. He has not thought of abandoning his friend, because "person-to-person relations are everything in Japan" and "when a person is having problems you must help him".

Mr Fujinami, who has already appeared in the trial, will be back in court in the coming weeks.

Obviously, it would be a serious loss of face for Mr Yamanaka, who runs gift stores around a nearby Shinto shrine and has had four historical novels published, if Mr Fujinami is indeed found to be on the take. He said that very few of the 45,000 or so members of a "Fujinami fan club" had resigned, and, if the candidate can gather another 20,000 votes, he should keep his seat.

Apart from apologies, the focus of Mr Fujinami's campaign is local issues. He emphasises that he has influence in distant Tokyo, and has plans for a new bridge, a grand exposition, an expressway and a tourism boom. After a 10-minute speech, Mr Fujinami and three assistants, one hauling a portable public address unit, politely excuse themselves, and jog to a waiting car.

Shamir shaken by Likud showdown

By Hugh Carnegy in Jerusalem

HALF-WAY through his address to Monday's tumultuous meeting of his Likud Party, Mr Yitzhak Shamir, the Israeli Prime Minister, suddenly appeared to be running into trouble. His terrier-like face glistening with sweat, he barked a supposedly rhetorical question about who spoke for the party.

After a brief pause, the response came in a chorus of boos and shouts of "Arik, Arik" from supporters of Mr Ariel Sharon, his chief rival who minutes before had announced his resignation from the Likud-Labour Government in protest at Mr Shamir's policy on proposed Israeli-Palestinian peace talks.

The moment passed quickly as Mr Shamir's backers found their voice again. But it symbolised the depth of the challenge Mr Sharon had issued to the Prime Minister by his surprise resignation. By taking such a step he opened more widely than ever a simmering rivalry between the two men over the control of Israel's dominant political movement, a compact of right-wing forces which Mr Sharon was instrumental in constructing in 1973.

The extraordinary climax of the meeting, when Mr Shamir and Mr Sharon stood at opposite ends of the ministers' podium, bawling for support from the 3,000-strong crowd roaring and waving beneath them, can hardly have encouraged Likud voters or impressed a wider public already confused by the level of commitment in Likud to making peace with the Palestinians.

Both men claimed to have "won" the televised confrontation, Mr Shamir rather more plausibly than Mr Sharon. But even if, as he almost certainly does, the Prime Minister commands a majority in the party, the meeting showed clearly that he does not have the complete hold he would like.

Since he succeeded the unchallenged Mr Menachem Begin as leader of the Likud – which means unity – on Mr Begin's retirement in 1983, the much less charismatic Mr Shamir has had to contend with frequent challenges to his supremacy. He has always overcome – but never extinguished – them. And the burly Mr Sharon has always been his main opponent.

Mr Sharon's most recent position as Trade and Industry Minister belies his history as the best known living military figure in Israel. From his days as a buccaneering but often brilliant commander in Israel's main wars to his masterminding as Mr Begin's Defence Minister of the notorious invasion of Lebanon in 1982, Mr Sharon has evoked admiration, loathing and plenty of attention.

Although not from the fiercely militant, non-socialist "Revisionist" background of Mr Begin and Mr Shamir, he was a key figure in forging the creation of Likud, chiefly out Mr Begin's Herut (Freedom) party and the Liberal Party. The alliance was to sweep to power in the 1977 elections, breaking the erstwhile monopoly of the Labour movement.

Mr Sharon was forced – reluctantly – to resign as Defence Minister following the 1982 Sabra and Chatila massacres in Beirut, but he retained enough political clout to get back into the cabinet in the present partnership with Labour.

His absolute commitment to making the Occupied Territories part of a Greater Israel and, latterly, his calls for the Palestinian uprising in the West Bank and Gaza Strip to be mercilessly crushed, find a bedrock constituency in Likud. He sees himself as the strong, unyielding leader who alone can deliver the country from its hostile neighbours.

Opinion polls show only minority support in the country for him and his stance, and a majority in favour of Mr Shamir's cautious peace moves. However, Mr Sharon's supporters see fertile ground in a concurrent public distrust of the Palestine Liberation Organisation – upon which the success of a peace deal would depend – and a yearning for stronger political leadership.

In the Likud, Mr Sharon's power base has been insufficient to unseat Mr Shamir. He has, for example, little support among Likud members of Parliament. But his strength, as Mr Shamir knows all too well, lies in grassroots support within the party.

Where the Likud row left the prospects for peace talks remained uncertain yesterday. Some government officials argued that the removal of Mr Sharon freed Mr Shamir to make the compromises necessary to get negotiations off the ground.

If he does not, the Labour Party is again threatening to bring the coalition down. But other officials said Mr Shamir could not afford to soften his position if he wanted to isolate Mr Sharon.

Ugandan flights suspended

Uganda's troubled state airline has suspended all scheduled flights except its weekly service to London for two or three months while it restructures its business, Reuter reports from Kampala.

The closure follows a one-week strike by the airline's flight crew to demand a 10-fold salary increase and better working conditions.

Transport Secretary Wilson Wanyama said the restructuring, planned since 1988, would be carried out by international aviation consultants and the airline would resume normal activities as soon as possible.

Cheney to discuss Korea troop cuts

By John Ridding in Seoul

MR Richard Cheney, the US Defence Secretary, arrives in Seoul today to discuss troop reductions and the role of US forces in South Korea.

The visit is part of a regional tour which includes Japan and the Philippines. It is aimed at negotiating the re-organisation of US forces in the region as part of a proposed reduction in US defence expenditure.

The US has already announced that it would close three air bases on South Korea with the loss of about 2,000 support troops and is believed to be considering the withdrawal of up to 3,000 further non-combat troops. There are an estimated 43,000 US troops stationed in South Korea.

In addition to the partial reduction of US troops, Mr Cheney will discuss an increase in Korea's contribution to the cost of maintaining US troops on the peninsula, and the possible transfer of operational control of the Korean armed forces to South Korea.

'Fifty dead' in Natal violence

FIFTY people have been reported killed in growing violence in Natal province since African National Congress leader Nelson Mandela was freed from prison Sunday, according to estimates from police and groups monitoring the unrest, agencies report from Durban.

Police said most of the fighting was between ANC supporters and members of the Inkatha political organisation of Zulu Chief Minister Mangosuthu Buthelezi, but criminals were also taking advantage of the chaos.

Brigadier Jac Buchner, police commissioner for the Zulu homeland, said guns were used to kill 18 people in the Mpumalanga township on Monday. He called it "a worrying escalation," in an area where firebombs, knives and sharpened sticks are the usual weapons. More than 2,500 people have been killed in the violence since 1986.

However, a witness said police officers opened fire on a peaceful crowd in a squatter area called Amahula, outside Durban. Other reports said black marchers were shot at by police as they celebrated the release of Mr Mandela.

The Natal Witness, a Durban newspaper, said concern was growing about anti-Indian sentiment in the townships around Durban. Black crowds have attacked Indians four times in a week, and two Indian men were stabbed to death in Durban on Sunday.

Groups monitoring the unrest said a pamphlet had been distributed in black townships saying Indians controlled the Congress of South African Trade Unions and called strikes so black people would lose their jobs.

Cricket tour cut short in protest deal

By Our Foreign Staff

THE tour of a rebel English cricket team was sharply curtailed yesterday under an agreement with anti-apartheid groups, organisers said.

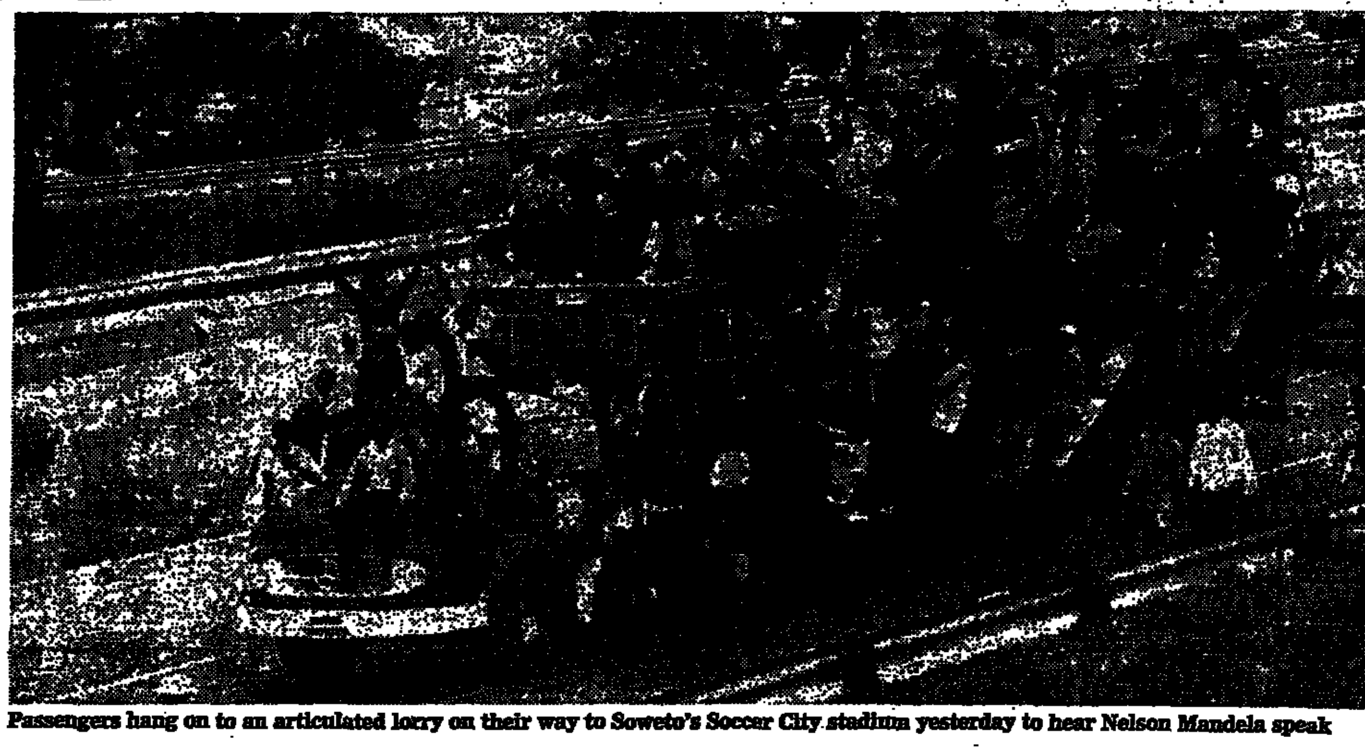
The South African Cricket Union agreed to call off the team's test match against the South African national team and cut the English side's remaining schedule from eight matches to four one-day matches. The players will fly home two weeks early on February 23.

The National Sports Congress, which opposes apartheid in sport, agreed to withdraw protest action, said general secretary Krish Naidoo.

The decision represents a compromise that would have been unthinkable even a few months ago. On the one hand are arraigned two of the most powerful forces in white South African society – law and order, and sport. Set against them has been the anti-apartheid lobby, determined if not to stop the tour at least to make life uncomfortable for the players.

The compromise has been possible because the Government realised that the spectacle of near-daily demonstrations against the cricketers was not only bad public relations but potentially dangerous.

Mr David Graveney, player manager for the rebels, said they were "stunned and confused" to hear that their tour was to be cut short. The English team defied an international ban on sports contacts with South Africa. The players were reported to be receiving £100,000 for two tours, this summer and next, with captain Mike Gatting being paid £200,000.



Passengers hang on to an articulated lorry on their way to Soweto's Soccer City stadium yesterday to hear Nelson Mandela speak

Mandela goes home to well ordered Soweto

By Michael Holman in Soweto

THE drawn-out blast from a traditional African horn marked the formal end of the day's proceedings, the master of ceremonies told the 100,000 strong crowd that a set of car keys had been handed in and a few minutes later the helicopter carrying Mr Nelson Mandela lifted off from Soccer City stadium.

Mr Mandela's homecoming made the chaotic rally in Cape Town last Sunday, celebrating the first day of his freedom from 27 years in jail, seem like a bad dream.

A few minutes later, Mr Mandela was driven up to his old home in Soweto in a maroon BMW belonging to a prominent Soweto businessman. Thoughtful planning insured there were portable toilets on hand to meet the needs of thousands of assembled supporters and journalists from around the world.

Meanwhile the stadium crowd dispersed in a manner which would have delighted the hooligan-harrassed managers of European football clubs.

A column miles long walked quietly, or indulged in the gyrating dance known as the *toyi-toyi*, waving at passing motorists and chanting "Viva ANC Viva".

Traffic police on duty gave clenched fist salutes to drivers blithely ignoring the rules of the road.

Most of Mr Mandela's African predecessors held their celebration rallies in dusty township squares or football fields, with crowds straining to catch the words from a single crackling microphone while a motley collection of vehicles provided a cavalcade of sorts.

But yesterday saw the modern face of black South Africa, separated from the rest of the continent by more than the nearly three decades since Mr Mandela was last in Soweto.

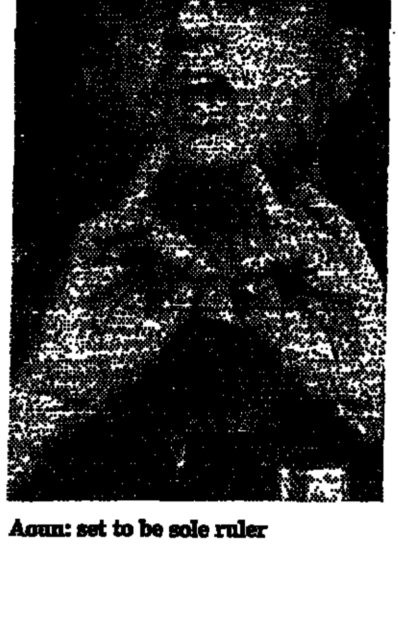
Mr Mandela came home to a constituency of a size and an influence that none of his predecessors on the continent had experienced when they were preparing – as he may well be doing – to take office.

Mr Mandela's exhortations were carried by a sound system that would have done justice to a Rolling Stones concert. Fleets of buses bringing his supporters rolled along what are some of Africa's finest highways.

The other side of Soweto and another face of black South Africa is all too apparent in parts of the township's poorest neighbourhoods. But this journalist got lost and ended up in what by any standards were affluent avenues of multi-bedroomed detached homes.

A kindly resident helped out the foreigner, travelling with him part of his way in the course of which she explained that she had just returned from the US where she had been doing a post-graduate degree in Business Administration at Howard University in Washington, DC.

She had been back less than a year. It was, she agreed, a good time to return.



Aoun: set to be sole ruler

Aoun has destroyed our homes. Long live Aoun!

Nothing diminishes Lebanese Christian adoration for Beirut's rogue soldier, writes Lara Marlowe

NOTHING seems to diminish the adoration for General Michel Aoun of his followers in East Beirut. He it was who started the "war of liberation" that killed nearly 1,000 people last year. Yet wounded men and women in East Beirut hospital beds, many of whom have also lost family members, still say they support him.

Last autumn, supporters of the Christian general ransacked the seat of their own Maronite Church and blew up the homes of their parliamentary deputies. A Paris newspaper disclosed that the "honest general" had stashed US$15m in a Paris bank account. The general instituted unprecedented censorship of the Lebanese press. Yet Lebanon's Christians continued to support him.

Two weeks ago, Gen Aoun declared war on the Christian Phalange militia. Founded by Sheikh Pierre Gemayel in 1936, the Phalange is Lebanon's oldest fighting body. The Phalange – much more than Gen Aoun's army – had "protected" Christian interests by fighting Palestinians, Druze and Moslems through 15 years of civil war.

What is more, unlike Gen Aoun, the militia had constructed an infrastructure of television and radio stations, hospitals, employment, public transportation, taxation and housing for the families of their adherents. No one could have imagined that the Christians of Lebanon would turn against an institution so closely identified with their own fate.

It seemed incredible last week to hear the residents of the Phalange-controlled district of Ashrafieh – one of those hardest hit by nine days of artillery bombardments and street fighting that killed 365 people and wounded another 1,682 – praising the general who had destroyed their homes.

True, the Lebanese like a winner. Gen Aoun had just taken the Phalange stronghold of Dbayeh and was preparing his forces for an assault on the Kesrouan mountains and Jounieh. Phalangist militiamen admitted they were demoralised. Doctors in the Hôtel Dieu hospital said that two militiamen had shot themselves so they would not have to fight any more.

The general has apparently touched some deep chord in Christians who resented the militia's authority and blamed the Syrians for everything wrong with their country. Now Gen Aoun appears set to become the sole ruler of the Christian enclave.

When Gen Aoun attacked the Phalange, he said that he could not continue his "war of liberation" with "a gun at [his] back".

Gen Aoun has promised "hell" if the Phalange do not give up their weapons and barracks, agree to become a border police under army command and condemn the Taif peace accord.

To Gen Aoun, "Taif" no longer signifies a document laboriously negotiated by Christian and Moslem parliamentarians for three weeks last October in the Saudi mountain resort of that name. Instead, it has become synonymous with words redolent of the Second World War: Vichy, Pétain, collaboration, quislings, the Fifth Column.

With each day that Gen Aoun remains in the Baabda presidential palace, more power seeps from the Taif peace accord and the internationally recognised presidency of Elias Hrawi.

No government in the world recognises Gen Aoun's military junta as the legitimate government of Lebanon. The isolation will be a hardship. But Gen Aoun is willing to wait. His greatest failing, his inability to plan for the future, has also proved to be one of his greatest strengths.

When Gen Aoun controls all of the Christian enclave, he will wait – for the death of President Hafez al-Assad of Syria, for a revolution in Syria, for any number of unforeseeable events that might strengthen his position.

Many Moslems in west Beirut say that his staying power suggests there is some kind of secret international backing behind him. In the meantime, another war between Gen Aoun and the Syrians – and hence another war between the two halves of the divided city – seems inevitable.

UK agrees to shrink Falklands security zone

By Andrew Marshall

BRITAIN has provisionally agree to reduce the size of its military protection zone around the Falkland Islands as part of a move towards restoring diplomatic relations with Argentina.

Representatives of Britain and Argentina open two days of talks in Madrid today on the issue of resuming full relations, broken since the 1982 Falklands conflict. A deal on the Falkland Islands Protection Zone, the most contentious issue for Argentina, has been initialled by both sides, and is now ready to be signed, diplomats said yesterday.

Argentina is represented at the talks by Mr Lucio Garcia del Solar, a senior career diplomat, and Britain by Sir Crispin Tickell, Britain's representative at the United Nations. The Madrid conference will focus on what is for the Argentine side the final hurdle to diplomatic relations, the continuation of the zone.

The FIPZ was instituted after the 1982 war between the UK and Argentina over the South Atlantic archipelago. It is patrolled by Phantom and Hercules aircraft of the Royal Air Force, based at Mount Pleasant on East Falkland, and submarines and ships based at Mare Harbour.

Under the deal, the zone would remain in place but be reduced from its present 150-mile radius. In the area between the existing zone and the new zone, mutual consent would be required for military activities. Advance warning for any actions would be given, effectively giving a further guarantee of security to the UK forces at Mount Pleasant on the islands while demilitarising part of the zone.

The new arrangement will be reviewed regularly but, given the degree of compromise on its part, the UK is unlikely to want any immediate alterations.

British diplomatic sources have reiterated since negotiations started last August, at the first meeting in New York, that the zone's removal is not feasible until Argentina has clearly rescinded all intention of launching fresh armed attacks on the islands, and persuaded Britain (through practical proposals) that such guarantees will be kept.

The Foreign Office would not confirm details of the deal yesterday, but Mr Timothy Sainsbury, Under Secretary of State at the Foreign Office, has said that alternative arrangements for the zone would be considered. The primary goal was to achieve at least the same level of security, the Foreign Office said yesterday.

The continued existence of the zone would represent a concession by Argentina, which has always insisted that it must go. But President Carlos Menem, and Mr Domingo Cavallo, the Foreign Minister, are keen to present a political success to a currently disgruntled Argentine public.

The previous Argentine government, under Mr Raúl Alfonsín, made the question of sovereignty over the Falklands central to any meeting between the two sides. But the Menem Administration has contented itself by placing that subject under what it calls a "diplomatic umbrella" for consideration after diplomatic relations have been restored.

NDP makes parliamentary breakthrough in Quebec

By Bernard Simon in Ottawa

CANADA'S left-leaning New Democratic Party has scored an important breakthrough by winning its first parliamentary seat in Quebec.

In a by-election held on Monday in the Chambly constituency, south-east of Montreal, Mr Phil Edmonston, the NDP candidate, gained a convincing 68 per cent of the vote, putting him far ahead of the Liberal candidate, with only 17 per cent.

Despite visits to the area by Prime Minister Brian Mulroney and other cabinet ministers, the Conservative candidate gained less than 10 per cent of the vote. The seat was previously held by a Conservative, who resigned after pleading guilty to fraud charges.

Mr Edmonston, best known as a grassroots consumer advocate, emphasised his own attributes in his campaign rather than the NDP's mildly socialist policies.

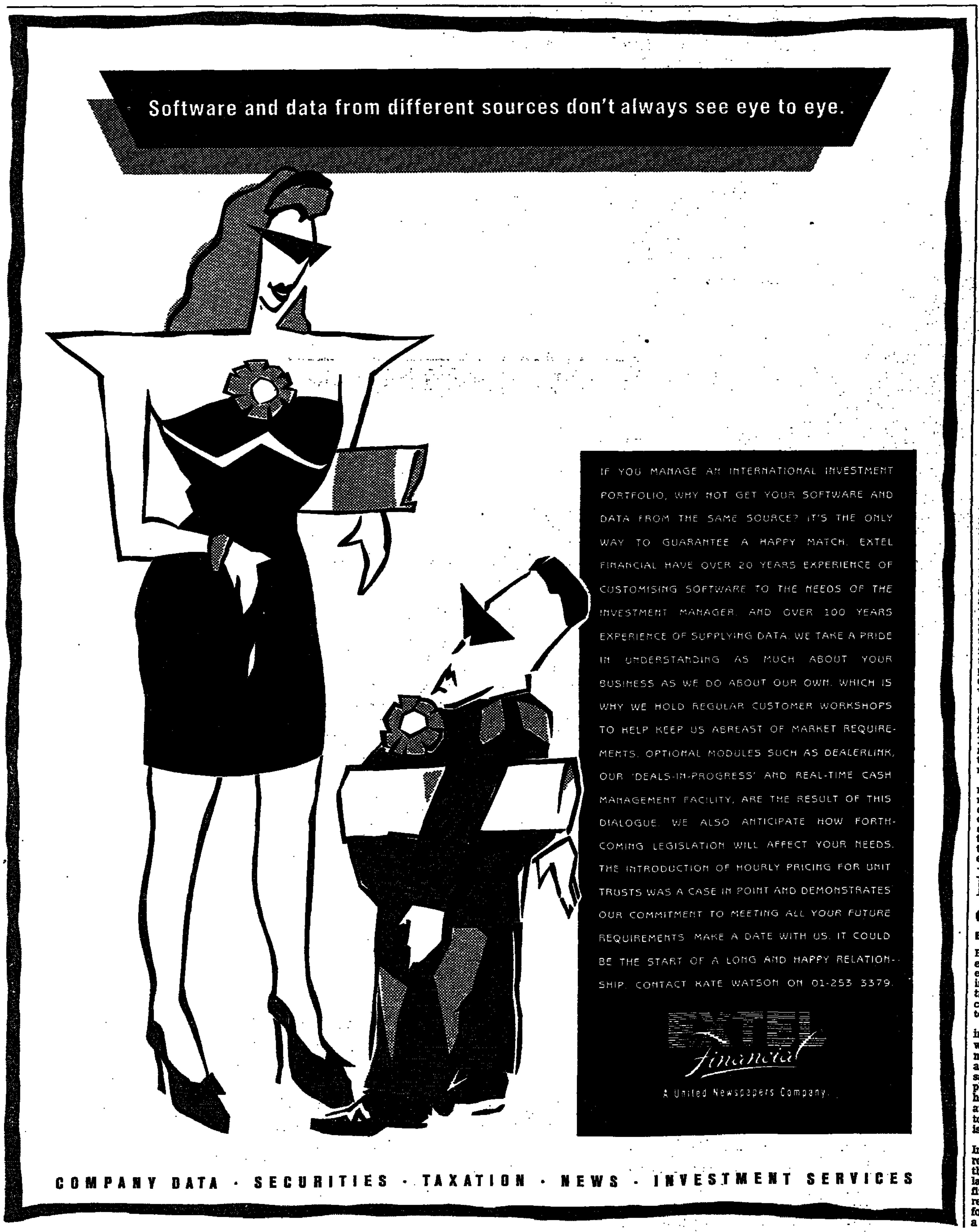
Furthermore, he voiced wholehearted support for the Meach Lake Accord, the controversial constitutional agreement which recognises Quebec as a distinct society within Canada. The party has recently back-tracked from its earlier backing of the accord.

The NDP, which now has 43 seats in the 295-member House of Commons, invested an unusual amount of energy and money in Quebec during the 1988 general election campaign. But squabbles within the party and its stand against the US-Canada Free Trade Agreement cost it support.

The Chambly win is likely to encourage the NDP to give attention to Quebec once again, and probably to revive a debate within the party on its support for a strong central government in Canada. Mr Duncan Cameron, president of the Canadian Centre of Policy Alternatives in Ottawa, said Mr Edmonston's presence in the NDP caucus will "force it to think of Quebec every day".

The Chambly result was also evidence of linguistic tolerance in Quebec, at a time when many English-speaking Ontario communities are rejecting bilingualism. While Chambly's residents are overwhelmingly French speaking, Mr Edmonston is a bilingual Anglophone.

The by-election is a particular setback to Mr Clifford Lincoln, the Liberal candidate. Mr Lincoln, a former Quebec cabinet Minister, had hoped to use the win at the polls as a springboard for his bid for the leadership of the federal Liberal Party.



Newfoundland's fisheries to undergo sea change

Bernard Simon on restructuring a province's economic mainstay

NEWFOUNDLANDERS are a unique breed of North American. Their Irish-sounding accents and remarkably evocative place names – Little Heart's Ease, Come-by-Chance and Witless Bay, for example – are unlike any other on the continent.

The House of Assembly in St John's is the only legislature in the Commonwealth where government members sit to the left of the Speaker – a relic from the days when the governing party chose the side of the chamber with the fireplaces.

In one important respect, though, Newfoundlanders would like to be a little less different. At the same time as the rest of Canada and the US are heading into a cyclical downturn, the province hanging on the north-east edge of North America is also struggling to overcome deep-rooted structural problems.

Newfoundland's unemployment rate, at over 15 per cent, is the highest in Canada, roughly double the national average. Though its taxes are the highest in the country, the province's budget deficit and accumulated debt are proportionately also the biggest. Almost half Newfoundland's budget revenues come in the form of transfer payments from the federal government in Ottawa, and 69 per cent of those are "equalisation" payments – in other words, a subsidy from the richer provinces.

Newfoundland fishing family: a different economy

The birth rate has dropped sharply in recent years and, with a population of only 560,000, Newfoundland has little to draw outsiders, whether companies or individuals. Many of its best-educated people leave for other parts of Canada; 9 per cent of those who remain are on welfare.

The search to correct these imbalances has accelerated in the past year with the discovery that the once-rich fishing grounds surrounding Newfoundland are severely depleted as a result of overfishing, by both Canadian and foreign vessels. Fishing is a mainstay of the province's economy, providing 40 per cent of total employment in the goods-producing sector and almost a quarter of its output.

The very structure of the fishing industry complicates any effort to make the economy less dependent on it. Many of the 55,000 people employed in the fishery live in 700 remote "outports", some of them accessible only by sea. The outport economy is quite different from the cash-or-credit way of doing business in the rest of North America.

A large number of fishermen and fish plant workers have a job for only part of the year, in many cases for just the 10 weeks needed to qualify for generous government unemployment-benefits. The average Newfoundland fishing family earns only about a quarter of its total income from fishing, with over 40 per cent coming from unemployment insurance benefits.

The fishery crisis has raised sensitive questions about the future of the fishing communities. In particular, policymakers are pondering the degree to which people should be weaned from the fishery, and the extent to which they should be encouraged to move to larger centres to find other work.

Before the latest crisis struck, a start had been made with fundamental – and beneficial – restructuring in the fishery, with the emergence of some mid-sized fishing companies, a greater emphasis on product quality, more sophisticated marketing and better labour relations. With fish stocks unlikely to recover for at least five years, there is a widely-held view that political pressures will now force a tilt towards short-term measures to keep people at work (if only for long enough to qualify for the dole), rather than the more painful strategies needed to ensure the fishery's long-term viability.

The quota for northern cod, the key species for the Newfoundland fishery, was cut from 235,000 tonnes in 1989 to 197,000 tonnes this year. But many fish experts doubt that the 1990 quota is low enough to replenish the stocks.

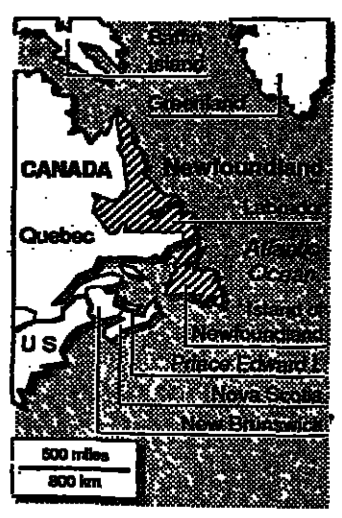
The Newfoundland Government is putting off the day of reckoning by providing financial support to keep three processing plants open for at least one more season, even though they will operate at about half their capacity. The three plants employ about 1,600 people.

Mr Victor Young, president of Fishery Products International, Newfoundland's biggest fish company, warns: "There are enough fish to keep the plants operating, but not to keep them running effectively if your long-term objective is survival in the marketplace."

The Newfoundland Government last year set up an Economic Recovery Commission with a 6-10 year mandate to seek long-term answers to the province's economic problems. Dr Douglas House, the commission's chairman, says its work will include components both for adjustment of the fishery and for diversification.

To encourage greater involvement of local communities in planning for their future, some government services and decision-making authorities have already been delegated to a regional level. The Government has also started a programme to encourage small businesses to provide long-term employment rather than simple "make-work" projects designed to qualify people for unemployment insurance.

Under the new scheme, the Government subsidises the first and third 20 weeks of wages, provided the business carries the full burden in the middle 20 weeks. Dr House expects that the tourism industry will grow, over the next



few years, and that the small and medium-enterprise sector will be stronger.

In the fishing industry, the hope is to encourage greater processing and value-added products. Dr House predicts that fewer people will be employed in the fishery in the future, but that the industry will generate more wealth than it does now.

Newfoundland's best hope for a rebounding economy is development of Hibernia, the oilfield which was discovered 10 years ago 195 miles east of St John's. A binding contract for the C$8.5bn (£4.2bn) project – which would produce 110,000 barrels of oil a day by 1996 – is due to be signed by the end of June, provided the federal and provincial governments and a four-company consortium led by Mobil Oil Canada can come to an agreement.

In macro-economic terms, activity generated by Hibernia should take up much of the slack of the fishing industry. Newfoundlanders are well aware however, that the challenge will be to manage the Hibernia bonanza in such a way that its benefits will be widely spread and long-lasting.

Brazil sees evidence of downturn in economy

By Ivo Dawnay in Rio de Janeiro

BRAZIL is at last witnessing evidence of a long-expected economic downturn after the impact of restocking by industry and a mini-boom in sales of consumer goods has given way to renewed caution.

With most forecasts predicting inflation for February of well over 70 per cent, businessmen in São Paulo are reporting a fall of about 5 per cent in sales against January. Unemployment, which had fallen to historic lows as companies attempted to raise their inventory to hedge against inflation, is now on the rise again.

Yesterday, the São Paulo's Industries' Federation (Fiesp) reported 14,000 redundancies in the state last month – the largest fall in the period for five years. Though the figures represent only activity in the formal economy, they indicate a trend that will be felt at all levels of business activity in the state.

Fiesp also predicted that sharper falls could be imminent as industry prepares to batten down the hatches before the inauguration of the government of Mr Fernando Collor de Mello on March 15.

Sales of consumer durables have declined drastically. Brastemp, Latin America's largest manufacturer of white goods, has given its employees 20 days free holiday as stocks of unsold goods have mounted. Steel wholesalers are reporting clients attempting to sell back their stocks after fears of a shortfall produced a surge in demand towards the end of last year.

In part, the switchback performance of demand is a direct consequence of uncertainty over what steps Mr Collor will take to tackle inflation.

AMERICAN NEWS

Ministers close to formula for discussing reunification

By Peter Riddell, US Editor, in Ottawa

NATO and Warsaw Pact leaders were last night close to agreement on an international framework for discussing a unified Germany.

This breakthrough, awaiting final approval by the Soviet leadership in Moscow, follows intensive diplomatic exchanges in the past two weeks, notably among foreign ministers attending the conference in Ottawa on the Open Skies Initiative on mutual aerial surveillance.

The agreed formula is known as "two plus four", under which discussions on internal arrangements for reunification by the two existing German states would be complemented by talks on external, security matters involving the four war-time allies, the Soviet Union, the US, Britain and France.

The aim is to combine the principles of self-determination for the German people with the wider security concerns of the Soviet Union and Germany's European neighbours.

Mr Douglas Hurd, the British Foreign Secretary, said yesterday that the ministers were "quite close to an agreement in principle" and were waiting for "final acceptance from Moscow".

Mr Hans-Dietrich Genscher, the West German Foreign Minister, said his country respected "the rights and responsibilities of the four powers with regard to the whole of Germany. The negotiations that the two German states will hold with each other on unification will not take place behind the backs of the four powers. We want the two German states to seek their participation and agreement with them."

There remain considerable uncertainties over how these arrangements will work out in practice, in particular over the involvement of a unified Germany within Nato. Mr Eduard Shevardnadze, the Soviet Foreign Minister, repeated his opposition to a united Germany being in Nato, though Mr Hurd said that not only were the western allies opposed to the concept of a united, neutral Germany but so were a number of East European states such as Poland and Hungary.

US and other western officials welcomed assurances from Mr Genscher that the aim of unity was the present West and East German states and the whole of Berlin – "no less and no more. We do not have territorial claims against any of our neighbours." Mr Hurd said there would have to be clear and binding commitments on the borders of Poland.

Mr Genscher argued that the negotiations on conventional force reductions in Europe in Vienna "must be followed without a break" by further negotiations. He showed that the forces of basing countries (that is including Germany) must be included in talks about conventional force reductions, though he realised this would have "far-reaching effects on the strength of the Bundeswehr".

Officials were preparing a communiqué which would stress that both sides wanted a conventional forces treaty to be signed later this year, though not resolving differences on limits to the numbers of combat aircraft and on manpower ceilings for US and Soviet troops in Europe.

Mexico to privatise biggest insurer

By Richard Johns in Mexico City

THE Mexican Government is to sell state-owned Aseguradora Mexicana (Asemex), the country's largest insurance group, an offer likely to interest foreign companies.

The sale of the the company is likely to raise something in the range of \$150m (£89m) to \$220m, according to insurance industry experts, one of whom described the company as "extremely strong".

In announcing the privatisation plan Mr Jacques Rogozinski, director of disincorporation at the Ministry of Finance, said Banca Serfin had been chosen to handle the sale.

Under a change in regulations last year foreign companies, previously restricted to the reinsurance business with a few exceptions, would be able to bid for 49 per cent of Asemex.

Asemex was ranked as the 23rd largest Mexican company in 1988 in the last survey of the top 500 conducted by the business magazine Expansion.

With a capital at the end of 1988 of Pesos 348bn (\$152.5m at the exchange rate prevailing then) and total assets of Pesos 1,584bn, it generated sales of Pesos 767bn in that year and a profit of Pesos 37bn.

Asemex handles accident and sickness, civil responsibility, professional risks, maritime and transport and fire business, but not life insurance.

Observers believe it would be a more attractive proposition if it was sold together with the state-owned Asegurado Hildago, which deals with life insurance. But the Government has decided not to sell the latter, which provides cover for the country's bureaucracy.

A considerable capital infusion would be required for Asemex to build up a life insurance business.

An announcement is also expected soon on the sale of Compania Real del Monte y Pachuca, a loss-making silver mine in the state of Hidalgo, to the Grupo Autrey, a consortium of businessmen from Monterrey, Guadalajara and Tijuana.

It is understood that the price agreed is \$75m but that purchase will be made through a debt equity swap. With the Mexican sovereign debt currently being traded at about 40 cents to the dollar the effective cost to the purchases would, therefore, be about \$30m.

Real del Monte y Pachuca was the first silver mine to be exploited by the Spanish conquistadores in 1542 and is estimated to have produced a total of 2bn oz of silver to date. Last year it produced 1.46m oz of silver and 7,278 oz of gold.

This year the Government is planning to sell 42 public entities. Mr Rogozinski said in a recent interview that it expected to raise about \$800m from privatisations, including Compania Minera de Cananea, but not Telefonos de Mexico.

Two plus four and one Germany

Peter Riddell looks at the likely framework for security talks

AS international support has grown for "Two Plus Four" as the formula for discussing the security implications of a reunified Germany, there has been a rush of rival claims of paternity, and even maternity.

But for all the enthusiasm of Mrs Thatcher's Fleet Street supporters, the linking of the two German states and the four wartime allies (the US, Soviets, Britain and France) in formal talks on the external aspects of a united state is essentially a US/German initiative – the balance depending on the source – with other allies being consulted.

According to a senior State Department official, US policymakers concluded two or three weeks ago that the principles laid down last December for step-by-step unification were being overtaken by the pace of events. The focus was on "how some of the external considerations could be managed at the same time as Germany herself handled internal issues". The US view was that self-determination, the key internally, was not sufficient externally.

The possibility of formally involving the Four Powers, based on their residual responsibilities over Berlin and air rights, was seen in both Bonn and Washington as unsatisfactory because it ran counter to giving the German people a central voice. The 35-nation Conference on Security and Co-operation in Europe (CSCE) was seen as too large and unwieldy.

Consequently, the formula of "two plus four", very much in that order, was devised to combine German responsibility for internal decisions and external involvement in security issues. The key was the acceptance by all of early reunification, a point made by Soviet leaders last weekend.

The idea was discussed with Mr Douglas Hurd, the British Foreign Secretary, on his visit to Washington two weeks ago – allowing the British to claim a degree of input – and there were continuous talks with Mr Hans-Dietrich Genscher, the West German Foreign Minister.

Mr James Baker, the US Secretary of State, put forward the plan in Moscow a week ago, and it was taken up by the West German leaders on their visit there last weekend. The US stresses the attractions of the formula in giving due regard to Soviet security concerns. US and German officials claim that Soviet leaders are "quite interested" and flexible. Mr Eduard Shevardnadze, the Soviet Foreign Minister, has talked in Ottawa of "room for negotiation" over the security arrangements for a united Germany.

In substance, the "two plus four" discussions would begin, probably at foreign minister level, after the East German elections on March 18. While the two German states would discuss the details of the legal and economic framework, the other four countries would become involved – as equal sovereign states – on questions such as Germany's membership of Nato, the stationing of foreign troops, limits on nuclear and chemical weapons and assurances that Nato forces would not move east of the Elbe into the present East Germany.

Genscher: discussed agenda for summit

There might also be provision for the gradual withdrawal of the very large Soviet garrison in East Germany. Mr Genscher indicated yesterday that big cuts in forces in Germany, and conventional force talks going further than the current ones, must be on the early agenda.

The discussions would also involve the final surrender by the four wartime allies of their residual rights over Berlin. But there is reluctance to get involved in a formal peace treaty, which would be unnecessarily time-consuming.

The timetable and detailed arrangements are naturally uncertain. For instance, other western nations, apart from the US, Britain and France, would also have a say, probably via the Nato ministerial meeting in early June.

It is unclear how these talks would fit in with the CSCE meeting scheduled for autumn. Mr Genscher talked yesterday of the summit discussing "a common pan-European structure" covering security and "the architecture of the peaceful European order".

The British favour a more modest role for the CSCE summit as a meeting where the conventional forces treaty and new initiatives launched – for example a new conciliation role in Europe for CSCE – rather than as a grand congress of Europe. The US sees the meeting as the fulfilment of existing discussions, including "two plus four", rather than the decision-making summit on the future security of Europe.

The "two plus four" formula has emerged as a response to the rapid pace of change in Europe, an idea whose time has come.

As to who can claim its parentage, Mr Hurd, asked about the idea's genesis said it was "a child the conception of which it is difficult to gauge".

Bush sees political mileage in tributes to Mandela, de Klerk

By Lionel Barber in Washington

US PRESIDENT George Bush, it seems, cannot say enough about the release of Mr Nelson Mandela. First came a snap news conference in the Rose Garden on Sunday; the following day, Mr Bush paid tribute to President F.W. de Klerk and Mr Mandela in the White House press room, while ruling out any move to roll back US economic sanctions.

Why all this White House activity? The simple answer is that South Africa is back as a political issue in the US – best demonstrated by the surge in US television coverage. Dan Rather, CBS News's deadly earnest anchorman, is broadcasting from Soweto; part of Mr Mandela's football stadium speech yesterday appeared live on breakfast TV.

Like most US presidents, Mr Bush feels obliged to pronounce on world events and, if possible, play a part in them. He is not above hinting at the role of peace broker – hence his invitation to both Mr Mandela and Mr de Klerk to come to Washington as soon as they see fit.

A more basic calculation is that Mr Bush may be trying to use South Africa as a counterbalance to his China policy. Mr Kevin Phillips, the Republican political analyst, points out that Mr Bush's sudden preoccupation with human rights in South Africa is aimed in part at compensation for his perceived lack of concern about human rights in China.

There is a second reason for Mr Bush's interest in South Africa. Unlike President Reagan, Mr Bush is interested in cultivating black voters. In fact, he has scored consistently highly with them since taking office: a year ago, he had a 61 per cent approval rating among blacks; now that has climbed to above 70 per cent – almost as high as with whites.

Mr Bush captured only 12 per cent of the black vote in the 1988 general election. But because the black vote shrank to between 75 per cent and 80 per cent of its usual size (partly because of disillusion with the Dukakis campaign and the perceived mistreatment of the Rev Jesse Jackson), Mr Bush's share actually rose.

In certain areas, such as Baltimore, Chicago and Philadelphia, the fall in the black vote helped Mr Bush considerably in his bid to carry the state. In middle class black areas Mr Philips reckons Mr Bush could win up to 25 per cent of the black vote in 1992.

The promise of future electoral returns explains in part Mr Bush's embrace of Mr Mandela, his courting of black nationalist leaders such as Mr Walter Sisulu and his reluctance to join Mrs Margaret Thatcher, the UK Prime Minister, in a drive against economic sanctions. He is, it must be said, also a lot more sensitive to blacks than Mr Reagan.

Poll shows Sandinistas lead

By Tim Coone in Managua

THE ruling Sandinista party (FSLN) in Nicaragua is predicted to win the forthcoming general elections by a substantial majority, according to the latest opinion poll carried out by the Washington-based company Bendixen and Schroth.

The results of 1,000 interviews on voting intentions, at the end of January, gave the FSLN 53 per cent, the principal opposition alliance UNO 35 per cent, eight other parties 4 per cent and only 8 per cent still undecided.

The US Spanish-speaking television network Univision, which contracted the survey, broadcast the results on Monday night. Mr Sergio Bendixon one of the two main partners of the polling company said that Nicaragua's President Daniel Ortega "probably now has an unbeatable lead." The elections are to be held on February 25.

The Univision poll has produced a similar result to that of another US polling firm organisation Greenberg-Lake which in two recent and separate surveys has come up with results giving the FSLN a substantial lead over UNO.

WORLD TRADE NEWS

US calls for end to subsidies for shipbuilders

By Nancy Dunne in Washington

THE US is calling for the establishment of arbitration tribunals to enforce a multilateral cut-off of subsidies and government aid to the shipbuilding industries of industrialised countries.

In the first of three scheduled negotiating sessions now underway in Paris, Mr Linn Williams, deputy US Trade Representative, is seeking a wide-ranging agreement to bring "free market" conditions to one of the world's most subsidised industries.

The proposed agreement would cover subsidised export credits, customs and import barriers, direct subsidies, tax policies, official regulatory policies, specific aid to industry and restructuring assistance.

The impetus for the talks was a complaint filed last June by the Shipbuilders Council of America against West Germany, Japan, Korea and Norway. Mrs Carla Hills, the US Trade Representative, convinced the US industry that the best strategy would be to seek a multilateral solution through the Organisation of Economic Co-operation and Development and the General Agreement on Tariffs and Trade.

She said she would review movement toward an agreement by March 31, 1990, and if sufficient progress had not been made, she would invite the shipbuilders to resubmit their petition. This could lead to US retaliation.

The US industry has been through hard times in the last decade. The Reagan Administration cut off production subsidies early on, and with a strong dollar, inefficient facilities and high labour costs, US shipbuilders were unable to compete for commercial orders.

Mr John Stocker, president of the Shipbuilders Council, said the timing of the US action was "exquisite" in view of the economic forces at work. World trade has been growing and the world fleet deteriorating. The 1990s is expected to produce a boom for both ship repairers and ship builders.

Mr Stocker contends that the US industry has restructured and grown more efficient and could compete against unsubsidised European commercial shipbuilders if it were able to win multiple orders.

Oil exports to Poles cut by a third

By Mark Nicholson in Moscow

THE SOVIET UNION has cut deliveries of crude oil to Poland by a third during the first three months of this year.

The Soviet government newspaper Rzeczpospolita yesterday quoted the Polish state oil company, CPN, as saying deliveries would be reduced to 2.1m tonnes from 3.1m. The report did not say if all scheduled deliveries had yet been made.

Moscow has not commented on proposed or actual oil cuts, but is known to be keen to end traditional barter arrangements for supplying oil to its east European neighbours in favour of sales in hard currency at world market prices.

The Soviet Union is known to have cut its crude oil deliveries to other east European countries. The Czech government said in January its Soviet oil deliveries would be reduced by 20 per cent for the month. Reports from Sofia have suggested Moscow halved its oil supplies to Bulgaria in January.

Mr Jerzy Szewczyk, the director of CPN, was quoted as saying petrol supplies would not immediately be affected by Soviet supply cuts. The state company would buy fuel on world markets if demand grew.

CoCom takes a hard route to a softer line

Work begins on relaxing technology sale curbs to E Europe, writes William Dawkins

THE western allies will today attempt to make their first move towards relaxing parts of the 40-year-old system of curbs on the sale of high technology goods to Warsaw Pact countries.

Trade officials from the 17 members of CoCom, the Co-ordinating Committee for Multilateral Export Controls devoted to stopping the sale of militarily useful technology to the Soviet Union, its allies and China, today start a two-day meeting in Paris. It looks set to begin the widest ever review of CoCom's rules. This shadowy and previously divided body, which numbers the countries of the North Atlantic Treaty Organisation, minus Iceland, plus Japan and Australia, will also try to agree on immediate reforms in response to the enormous political changes in eastern Europe.

Just before Christmas, Washington, CoCom's most powerful member, significantly softened its traditional tough stance for maintaining technology export curbs in an attempt to break a deadlock between itself and a West German-led group of Europeans, which want a sweeping reduction in the list of several thousand CoCom-controlled goods.

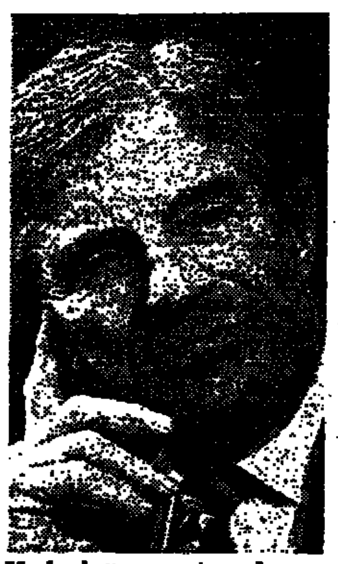
Subsequent tours by US trade and security officials indicate that sceptical European members need to be convinced of the extent to which Washington's change of policy will really make it easier to sell technology to eastern European countries that need Western technology to build their economies.

Yet CoCom officials on all sides are showing a new flexibility and readiness to negotiate in marked contrast to earlier entrenched positions, say observers. "Everybody seems to be agreed that not only must CoCom do something, but it must be seen to do something," says one.

Since CoCom decisions must be unanimous, all sides must be satisfied before any progress can be possible. Adding to the pressure for change is the growing workload on the national export licensing offices which carry out CoCom's rules as well as on the organisation's own small secretariat.

Washington will table a "twin-track" plan at the meeting today of CoCom's executive committee, the organisation's second-most senior decision making body, which will set the tone for the policy-setting high level group, due to hold its annual meeting in July.

Track one consists of immediate changes, including streamlined methods of vetting sensitive exports and the banning of controls on some goods. These have yet to be agreed, but it is probable that the US will accept the ending of controls on high-tolerance machine tools and computers using 32-bit microprocessors, long-standing debates where Washington and Europe have recently moved closer.


Mosbacher: more steps please

Track two proposes the complete rethink of CoCom's rules, which would be carried out by the main US trade and intelligence agencies and presented to the body's next executive committee, probably in May.

While the Europeans will be pleased with a victory on computers and machine tools, it looks as if they will be less likely to get instant satisfaction on their newly urgent demands, again led by West Germany, for liberalisation of CoCom controls on a range of telecommunications equipment. This includes digital packet switches, fibre optic technology and modulation equipment, used for packing large numbers of messages onto single radio frequencies.

Efficient and democratic economies cannot function without modern telecommunications, argue the Europeans. There is also a basic commercial interest at stake, since AT&T of the US, Alcatel of France, Siemens of West Germany and Sweden's Ericsson are all competing for telecommunications contracts in east European countries. Washington is cautiously working out its position on this, but has yet to be convinced.

Washington's plans for an immediate streamlining of CoCom procedures envisage a two-speed licensing and vetting system, which the Europeans believe is too complicated. Technology sales to all eastern European countries, but not to the Soviet Union, would benefit from faster and lighter controls. Moscow "has yet to take several steps before we're ready to get into that mode with them", said Mr Robert Mosbacher, the US Commerce Secretary, on announcing Washington's liberalisation move in December.

Even more liberal rules covering fewer products, on the lines of the regime agreed for exports to China in 1985, would be granted to countries prepared to police themselves to stop restricted technology being diverted to the Soviet Union. Poland and Hungary have convinced the Americans they can make their borders technology-proof.

European officials believe the two-speed idea would create an enormous bureaucratic tangle. CoCom's own experience shows that it is hard for even long-trusted national partners to stop their companies breaking the rules. Toshiba of Japan and Kongsberg of Norway, the best known CoCom rule-busters of recent years, managed to ship banned submarine propeller milling machines to Moscow easily enough, without being able to divert their goods secretly through Budapest or Warsaw.

It is better, argue the Europeans, to liberalise the list of controlled goods to an enforceable and strategically realistic level, rather than introduce new complexities to a regime that is already creaky enough in its middle age.

Italy presses plan to create new Gatt

By John Wyles in Rome

THE Italian government is seeking European Community approval for a proposal to relaunch the General Agreement on Tariffs and Trade (Gatt) as a fully fledged international organisation with regulatory powers over international trade.

Mr Renato Ruggiero, Italy's Foreign Trade Minister, said yesterday the proposal was being evaluated by the European Commission. He said the time had come to revive the idea of an International Trade Office (rejected by the US in 1947) so as "to reaffirm the importance of the multilateral trading system in the face of regional systems".

Mr Ruggiero, who will be leading the EC delegation at the final meeting of the Uruguay Round of trade talks in December, said that the General Agreement on Tariffs and Trade had been left with a temporary status for too long and that it needed a greater power of dialogue with other international institutions, especially the International Monetary Fund.

The Italian government will be in a strong position to push Mr Ruggiero's proposal when it takes over the EC Presidency in the second half of the year. Yesterday Mr Ruggiero suggested that one of the political advantages of it being adopted in December could be to make less dramatic a quite conceivable failure of the Uruguay Round itself.

Hyundai wins $600m Norwegian ship deal

By John Ridding in Seoul

HYUNDAI Heavy Industries, the South Korean shipbuilding and engineering group, yesterday signed a $600m contract to supply 10 combination vessels to Scandinavian Obo Carriers, the Norwegian shipping group.

According to Hyundai the deal is the largest yet for combination vessels, ships which are capable of carrying cargoes of oil, coal and ore simultaneously.

The ships are due for delivery between 1991 and September, 1992. Hyundai Engineering is also to supply the engines. The announcement of the deal coincides with the release of figures showing an improved outlook for the South Korean shipbuilding industry. According to the Korean Shipbuilding Industry Cooperative, South Korean shipbuilders received 365,700 tonnes of orders worth $332m in January, up from 79,650 tonnes and $135.4m in the comparable period. Virtually all the orders are from overseas customers

The increase in the orders for January gives a total value of outstanding orders of $5.15bn, an increase of 73.5 per cent over the same period last year.

NEWS IN BRIEF

Canon opens China plant

CANON has set up a $20m subsidiary in China, making it the first big Japanese company to start a substantial project there since the military crackdown last June, Reuter reports from Tokyo.

The wholly owned subsidiary, Canon Zhuhai, is located in the south Chinese city of Zhuhai, adjacent to the Portuguese-ruled territory of Macao.

The plant will assemble 1,250 auto-focus compact cameras a month starting in October, raising output to 30,000 a month by 1992. All the cameras will be exported.

Initially most components will be shipped from Japan, but some will eventually be produced by the subsidiary.

The bloody crackdown on pro-democracy demonstrators in Peking last summer damaged the confidence of many foreign investors in China.

Shoe People take Moscow road

Storm, a British publishing company, has won a contract to supply its Shoe People children's books for the Soviet market in a joint venture with the Soviet publishers Mdladost, Our World Trade Staff reports.

The jointly formed company, Yunona, will provide 50m books depicting the Shoe People cartoon characters.

The first stage of the £15m contract was signed in Moscow last week and an initial 28m books are to go on sale throughout the Soviet Union on March 1. As part of the package the Shoe People TV cartoon series will be shown on Soviet television in a prime time slot just before the 8pm evening news.

Zee-pipe coating contract

Statoil, the Norwegian state oil company, has awarded two contracts with a combined value of about NKr1bn (£92m) to Dutch contractor Ncoat and UK-based Bredero Norwegian Coaters for the pipecoating of the 850km "Zee-pipe" which will carry gas from the Norway's giant Troll and Sleipner fields to Zeebrugge, Belgium, Karen Fossli reports from Oslo.

Ncoat, whose contract is worth about NKr600m, will begin work this summer at Rotterdam on 530km of pipeline, while Bredero NC will coat 320km of pipeline at its Leith facility. Work is to be completed by the end of 1992.

NEWS IN BRIEF

Airbus and BAe face continuing disruption

Production problems for British Aerospace (BAe) and the European Airbus consortium grew yesterday when workers at the UK company's plant at Preston in the north west of England voted to continue their 15-week strike.

Among the 2,000 employees at a mass meeting yesterday, only about 20 voted to accept the latest offer of a 37-hour, four-day week, which would cut two hours in two stages.

Airbus production has been severely curtailed and Aerospatiale, the French aerospace group, is pressing the consortium to claim costs of more than $70m from BAe.

Ford strike vote

Shop stewards representing Ford electricians yesterday voted to continue a nine-day-old strike over the company's pay deal.

The decision by the 60 EETPU electricians' union, representing 1,600 Ford members, will test the company's claim that most of its plants are producing at near normal levels.

BNFL for Sizewell

British Nuclear Fuels (BNFL) has won an international competition organised by the Central Electricity Generating Board to supply fuel and associated services worth about £18m. for Britain's first pressurised water reactor, Sizewell B in Suffolk.

The contract was crucial to BNFL plans to enter the international market for PWR fuel contracts, against French, German and Swedish suppliers with domestic markets.

Scots bank offer

THE Royal Bank of Scotland is to offer small business clients discounts on personal computers, office furniture, mobile phones and travel.

ECGD advisor

Greig Fester, an independent Lloyd's broker specialising in international reinsurance. has been appointed by the Export Credits Guarantee Department to advise on commercial and political reinsurance.

Lawyer outlines massive 'unlawful share scheme'

'Greed and ambition' led accused in Guinness case

By Raymond Hughes, Law Courts Correspondent

GREED and ambition motivated four leading City of London figures to cross the divide between the legitimate and the dishonest in the 1986 takeover battle for the Distillers drinks group, the prosecution alleged in the Guinness trial yesterday.

Mr Ernest Saunders, Mr Gerald Ronson, Mr Anthony Parnes and Sir Jack Lyons had been "carried away with greed and ambition" and were "greedy for money or for power", alleged Mr John Chadwick, QC.

He told the jury at Southwark Crown Court, London, that the four men had been involved in a massive unlawful share support operation designed to deceive Distillers shareholders and ensure Guinness won its bitter battle with the Argyll group for Distillers.

Mr Saunders, former Guinness chairman and chief executive, Mr Ronson, head of the Heron group, Mr Parnes, a City stockbroker and millionaire financier Sir Jack Lyons have denied charges including conspiracy, false accounting and theft in the trial.

Mr Chadwick said the takeover battle had been fought with competing share offers. He alleged that, aided by Mr Parnes and Sir Jack, Mr Saunders had set out to find people who would buy Guinness shares and so keep up the price and make the shares attractive to Distillers shareholders.

Supporters had been offered indemnities against loss on the resale of their Guinness shares and success fees in the bid succeeded. One of those supporters had been Mr Ronson. Mr Chadwick said the four accused had committed distinct but linked criminal offences.

First they had concealed the share support operation both from the authorities and from the public. Then, with Mr Saunders' approval, Mr Parnes, Sir Jack and Mr Ronson had sent false invoices to Guinness "so that they could collect their illegal rewards." In doing that they had been stealing from Guinness, Mr Chadwick alleged.

He told the jury: "These are not men who are likely to make mistakes in their commercial affairs. These are men who were greedy and arrogant and who thought that they were above the law.

"But however wealthy and powerful they may be the law applies to them just as it applies to everyone else."

Mr Chadwick said that the "massive" purchases by supporters had been designed to create a false market in Guinness shares.

The hearing continues today.

Joe Cummings

Mr John Chadwick, QC, opens the prosecution case

Thatcher takes a gamble on foreign policy

By Philip Stephens, Political Editor

FOR Mrs Margaret Thatcher's admirers it is a question of courage and conviction. The Prime Minister promised President F.W. de Klerk that Britain would respond positively to reform in South Africa by beginning the process of lifting sanctions.

She has met that pledge and in the process given the encouragement that Mr de Klerk needs if he is to follow up the release of Mr Nelson Mandela with further steps towards power sharing with South Africa's non-whites.

For some of her supporters, however, her lone stance on the issue is the latest in a series of foreign policy decisions – on Europe, Germany and disarmament – which represent the biggest political gamble of her decade in office.

There are mutterings that the Prime Minister's approach risks isolating Britain during the most crucial period in post-war history: when the architecture of both Europe and of the Nato Alliance is being dramatically reshaped. In the process, the Conservative Party could lose the political "trump card" which its foreign and defence policies have provided at the last two general elections.

One of the Government's greatest strengths in the 1980s was the perception that it had regained for Britain an influence in international affairs in excess of its standing.

Both domestic and international factors worked in Mrs Thatcher's favour. The recovery of Britain's economy, her close friendship with President Reagan, and the "grit" she displayed during the Falklands war and in negotiations within Nato ran alongside her foresight in identifying Mr Mikhail Gorbachev as an entirely new type of Soviet leader.

The consensus at Westminster is that it was inevitable that the Government would lose some of those cards. The upheavals in Eastern Europe, the replacement of Mr Reagan by the more independent-minded President George Bush, and the moves towards German unification removed the certainties on which British policy had been based.

On the domestic front, the present bout of economic problems and the resurgence in support for the Labour Party have undercut her position.

Some Conservatives, however, argue that the Prime Minister has contributed to the process of "marginalisation" by adopting policy stances which have accentuated rather than mitigated Britain's declining influence.

Her overt antagonism towards European monetary and economic integration, her stridently cautious stance on East/West disarmament have brought private criticism from ministers as well as from backbench Tory MPs.

They have also, according to Whitehall officials, brought renewed tensions between the Foreign Office and Mrs Thatcher's Downing Street office. Mr Douglas Hurd, the Foreign Secretary, has been adept in disguising the differences, but they are said to have surfaced in private on a number of occasions.

Her critics also point to a number of occasions where Britain has appeared left behind as Washington and Bonn have mapped out together the shape of the new Europe. The enthusiasm of Mr James Baker, the US Secretary of State, for European integration – such as Washington's ready acceptance of the inevitability of German unification, and the moves to secure troop reductions in Europe – have all been causes of transatlantic tension.

Officials say the Bush Administration is going out of its way to give Britain notice of its policy statements – but it is notice rather than an opportunity to influence the decisions.

In parallel, Mrs Thatcher's deep misgivings about the implications for Nato and for Britain's security of German unification are said by some officials to have antagonised Chancellor Helmut Kohl – a leader with whom she has never had a close relationship.

Mrs Thatcher's stance on all these issues is not without its supporters. The prime minister is said to be operating on the principle that she is articulating many of the views that others hold privately.

Thus, argument runs, France shares Britain's deep misgivings about the pace and implications of West German reunification; the US Administration is as concerned as Mrs Thatcher that there should be no rapid exodus of US troops from Europe; and, if Congress allowed, President Bush would join her in lifting some of the sanctions against Pretoria.

She claims Mr de Klerk's efforts in South Africa could stumble and ultimately fail unless the white constituency in that country can be persuaded that it is yielding results in terms of international opinion.

Government lists areas barred from strategic exports

By Anthony McDermott

THE GOVERNMENT today published regulations listing countries in areas of tension which are barred from receiving potentially sensitive and strategic goods.

The Department of Trade and Industry also moved to relax restrictions on issuing export licences for computers.

The loosening and restructuring of these restrictions – in effect permitting the export of computers up to the supercomputer class – comes coincidentally with the opening of a controversial meeting in Paris of the 17-member Co-ordinating Committee for Multilateral Export Controls (CoCom) to discuss relaxing exports of high technology materials to the Soviet Union, eastern Europe and China.

The DTI is adopting a wait-and-see attitude towards economic and political developments in eastern Europe and the Soviet Union before it makes further amendments.

The amended regulations are intended to speed up and simplify the process for UK exporters to obtain licences. The department specifies which countries are identified denied access to materials with possible uses such as developing nuclear and chemical weapons and missile technology.

The latest order, which is essentially an updated and amended version of one issued in 1987, lists exports which qualify for Open General Export Licences (Ogels).

These enable exporters to export certain industrial goods which are subject to control to an eligible destination without needing to submit an export licence application.

But they are subject to controls, worked out in conjunction with the Miinistry of Defence and the Fporeign and Commonwealth Office, affecting industrial, military and nuclear related equipment and technology.

By categorising more closely exportable goods, the DTI hopes to provide an information service to would-be exporters as well as reduce the number of direct applications for licences. In 1988, these numbered about 100,000 and were down to about 70,000 last year. The target of the new regulations is to reduce this number by a further third.

● *The Export of Goods (Control) Order 1989. London: HMSO. 1989 No.2376. £10.80. The Export of Goods (Control) (Amendment) Order 1990.1990 No. 128.*

CoCom takes a hard route, Page 8

Business rate for post sheme under review

By Paul Abrahams

HALF-PRICE post for business users between large cities could be introduced as part of plans being considered by the Government to break up the postal monopoly held by the Royal Mail.

The Department of trade and Industry said yesterday that it was engaged in talks with interested parties in reviewing all options for the break up of the monopoly.

Securicor, Federal Express and, in particular, TNT, the international transportation group in which Mr Rupert Murdoch, proprietor of News International has a 29 per cent stake, have been reported to have been in contact with the DTI.

TNT said last night that it could not confirm that it was planning to provide an alternative service to the Post Office and suggested that such rumours were pure speculation. The company had said Mr Alan Jones, the company's UK marketing mananger, was having monthly meetings with the DTI on the subject.

Pressure groups suggest that the charge for mail between major centres could fall to as low as 10p - half the current price.

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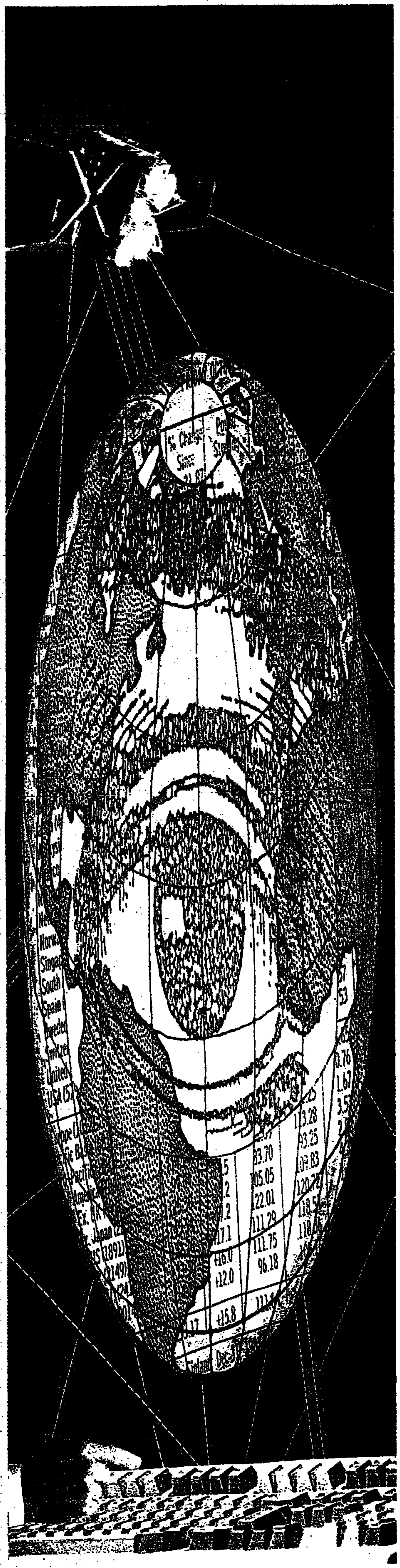

A few years ago we talked of multi-national companies with reverential awe.

It seemed then that only the very largest organisations could genuinely transcend national borders.

Today, however, even relatively small companies are expanding around Europe in readiness for 1992. While the number of European companies investing in North America has mushroomed to unprecedented levels.

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Mitsubishi Bank signs loan for Glasgow project

By James Buxton, Scottish Correspondent

MITSUBISHI BANK of Japan, heading of a syndicate of international banks, yesterday signed a £70m loan to finance part of a large property development in Glasgow by a joint venture involving Kumagai Gumi, a leading Japanese construction company.

The £300m project, to build high quality offices in the Broomielaw district of the city, is said to be the biggest property investment made by Japanese companies outside London. The Broomielaw scheme will eventually provide about 1m square feet of office space.

Glasgow & Oriental, the developer, is a joint venture between Kumagai Gumi and Bellhouse and Joseph Investments, a privately owned London property company.

Kumagai Gumi has been the most active of the Japanese construction and property companies on the British market and, unlike its compatriots, has been prepared to undertake developments outside London. Most Japanese property investment has been directed at central London office buildings.

The £70m financing applies to the first phase of the scheme, which consists of 276,000 sq ft of offices in three buildings. Construction of this phase has already begun and will be complete by mid-1991. Plans for the second phase will be completed in the spring.

The financing was arranged by Mitsubishi Bank and underwritten by it and Clydesdale Bank. The first of the three buildings, consisting of 120,000 sq ft, has been let to Yard, the Glasgow-based engineering consultancy which is part of the Anglo-French Sema Group.

Development of the Broomielaw site – nine acres of warehousing and sub-standard housing south of the city centre and north of the Clyde – represents an enlargement of Glasgow's central business district and is one of the larger inner city revival projects in the UK.

The offices will be released into a market which has shown steady expansion. Over the last two years Glasgow office rents for modern space have moved up to £15 a square foot. Demand for space has been strongest from financial companies.

Truck sales for January fall by 29%

By Kevin Done

NEW truck sales in the UK fell 28.9 per cent in January to 4,579 from 6,442 a year ago, according to the Society of Motor Manufacturers and Traders.

The UK truck market has gone into steep decline in the last four months. Sales for the whole of 1989 were the highest of the decade at 69,234, but in the final quarter demand was 20.2 per cent lower than a year earlier.

UK truck makers have been forced to resort to short-time working and lay-offs to bring production into line with lower demand.

The truck market is the segment that has been hardest hit, as overall demand for commercial vehicles and cars has fallen from last year's record levels. "Real recovery is unlikely to be seen before 1991," said the SMMT.

Overall sales of new commercial vehicles in the UK in January were 13.2 per cent lower than a year ago, with sales of small vans falling by only 4.9 per cent, while demand for medium-sized vans dropped by 15.7 per cent. The biggest fall in January was suffered by the heavy truck sector (over 15 tonnes gross vehicle weight), where sales were 35 per cent lower than a year ago.

Britain set for row with neighbours over North Sea pollution

By David Thomas, Resources Editor

BRITAIN appears to be heading for a new row with neighbouring European countries over its continuing refusal to end waste dumping in the North Sea.

The UK is the only signatory of the 1987 second North Sea Conference that continues to dump ash, liquid industrial waste chemical waste and sewage sludge in the sea.

Ms Johanna Maij-Weggen, the Netherlands Water and Transport Minister, yesterday met Mr Chris Patten, Environment Secretary, to discuss Britain's continuing fouling of the North Sea.

The Dutch Minister is in London to chair a meeting today of the Oslo Commission, which implements the North Sea agreement. The meeting is due to consider the UK's application for three licences to dump another 51,000 tonnes of waste into the North Sea.

Greenpeace, the international environment group, has submitted a memorandum to today's meeting arguing that the UK arguments for continuing dumping fall short of its international obligations.

Ms Maij-Weggen protested strongly about Britain's dumping of waste into the North Sea, but added that she had formed the positive impression that Mr Patten wanted to find a solution as soon as possible.

However, the Environment Department refused to confirm this impression. It said that Mr Patten had done no more than listen to the Dutch Minister without indicating his views.

One problem on the British side appears to be the lack of an agreement between the Environment Department and the Agriculture Ministry, the other Government body involved in a decision to phase out North Sea dumping.

The issue will come to a head again at the third North Sea Conference in The Hague next month, when Britain is certain to be strongly condemned by the other participating countries unless it has changed its position.

However, the Government may agree with the other North Sea countries on a ban on PCBs (polychlorinated biphenyls).

But the British are likely to argue that PCBs should not be phased out, a more protracted timescale than that favoured by most countries. Britain will also push for PCBs to be destroyed by burning.

Companies and insurers plan central register of stolen art

By Patrick Cockburn

FINE ARTS and insurance companies are to establish a central computerised register of stolen art and antiques worth more than £2,500 each.

Later this year a central computer will record photographic images together with information about a stolen item. From 1991 specialist staff will advise clients on registration of losses.

Losses will be registered by insurance companies and uninsured owners for a fee. Auction houses and dealers will pay a charge for each search. Mr Anthony Coleridge, chairman of the liaison committee, said: "This should deter art theft and ensure that the fine art trade is protected from unwittingly selling stolen items."

Creation of the register, to be called the International Art and Antique *Loss Register* as an aid against crime, was announced yesterday by Lloyd's of London, the insurance market, and the Art Trade Liaison Committee, to which big auction houses and trade associations belong.

The only parallel to the loss register for stolen art items is the International Foundation for Art Research, a New York based non-profit organisation which over the last 14 years has built up an index of stolen works of art with 32,000 files.

An agreement is being negotiated by the new company to take over its US counterpart and computerise its files.

Plastic — the non-stick art form

By Peter Marsh

MINIATURE Victorian Buddhas, 1950s butterfly sun glasses and moulded babies' bath tubs are among the objects on view in an exhibition depicting the 20th century's use of plastics which opens in London today.

The exhibition, at the Victoria and Albert Museum, is intended to describe changing uses of plastics in consumer items since the materials entered widespread use in Victorian times.

From these small beginnings the plastics industry has become one of the largest parts of the world chemicals sector, churning out each year some 90m tonnes of plastics worth roughly $100bn.

Miss Penny Sparke, who organised the exhibition, said a feature of plastics was changing attitudes over the past 100 years by designers.

Miss Sparke, a lecturer in cultural history at the Royal College of Art, said designers had continually swung between using the substances as substitutes for older materials like wood to using them in modern applications.

One of Miss Sparke's favourite objects in the exhibition is a 1930s stencilling machine, made by the Rutherford Duplicator Company of Texas and which she found in a museum in the Netherlands.

There is also a group of truly revolting 1950s plastic items including a model of superman and dog.

The exhibition, which lasts until 29th April, is being sponsored by European Vinyls Corporation, a joint venture between Imperial Chemical Industries of Britain and Enimont of Italy. EVC is Europe's biggest producer polyvinilchloride (PVC) – a widely used plastic – but despite this there are few PVC objects on display.

PIPER ALPHA INQUIRY

Bureaucracy and unions blamed for safety standards

THE low status of the Department of Energy and "emasculated" offshore trade unions were blamed for poor standards of safety among North Sea oil companies at the inquiry into the Piper Alpha disaster yesterday.

Mr Colin Campbell, representing the survivors and bereaved families of the July 1988 disaster, in which 167 died, said the energy department had a low status within the "multi-layered bureaucracy" of North Sea oil safety, and described offshore unions as "emasculated, with no effective representation of their interests or concerns."

Counsel representing the parties at the inquiry, before Lord Cullen, are making their final speeches this week.

Mr Campbell said the UK offshore industry had a poor record on safety compared with the Norwegian sector of the North Sea.

The North Sea oil companies were among the most resourceful in the world and their failure to tighten safety was "inexcusable."

Mr Douglas Russell, representing 25 companies contracted to work on the Piper platform, said technical innovations had rendered existing North Sea legislation was out of date.

"The regulations stifle development and inhibit the use of new technology."

Mr Andrew Hardie, for the offshore operators, said safety was the companies' primary objective.

They were determined to improve safety, but they did not consider the way forward to be a requirement for more and more hardware on platforms. "Such an approach may well be counter-productive as far as safety is concerned."

Big unions warn of threat to defence jobs

By John Gapper, Labour Editor

SEVERAL hundred thousand jobs are at risk in the defence industry from a reduction in armament sales because of the easing of East-West tensions, leaders of two of the industry's biggest unions predicted yesterday.

Leaders of the TGWU general workers' and MSF general technical unions called for talks with defence employers to ensure rapid diversification of productive capacity into civilian applications.

Mr Bill Morris, TGWU deputy general secretary, said Britain had to move resources from defence to civilian industries quickly to avoid putting jobs at risk.

"Make no mistake about it, we are talking about a million jobs that are going to be lost," he said.

Mr Ken Gill, MSF general secretary, said jobs were already being lost in the defence industry before the effect of arms reduction in East and West Europe, together with US defence cuts, had been felt.

They were speaking at the launch in Birmingham of a joint trades union campaign to draw attention to the decline in Britain's manufacturing base.

The campaign is calling for more investment in research and development, and also in training.

The unions are to hold talks with French unions next month on ways of forcing changes in industrial patterns.

They are also planning talks with British defence employers following further research into the effect of arms cuts.

The two men cited the Challenger tank built by Vickers and British participation in the European Fighter Aircraft project as two examples of defence projects that were now at risk from changes in defence plans.

● Mr Gill ruled out early moves towards a merger between the two unions, which have been developing joint initiatives and recognition claims.

Colour TV makers in £58m trade surplus

By Michael Skapinker

UK-BASED manufacturers of colour televisions achieved a trade surplus of £58m last year, compared with a deficit of £12.3m in 1988.

The surplus comes after several years of investment in the UK by Japanese and other foreign-owned consumer electronics manufacturers. There are no British-owned volume manufacturers of colour televisions.

Mr Oliver Sutton, director of the British Radio and Electronic Equipment Manufacturers Association, said the surplus "lays to rest the British public's widely held misconception that all the televisions bought in this country are imported."

The association said that television exports from the UK totalled £301.3m last year, against imports of £243.3m. A £40.5m deficit in small screen televisions was offset by a £98.5m surplus in large screen sets.

The UK had a trade deficit of £49.3m in video cassette recorders last year but this was down by almost half on 1988 when the deficit was £95m.

In 1987 the deficit in video cassette recorders was £182m.

● The Government has rejected appeals from Channel 4 to drop the Home Secretary's veto over future appointments of non-executive directors to the television channel's board.

The Broadcasting Bill proposes that the non-executive directors, of what will become a public corporation, will be appointed by the Independent Television Commission, the body that is to replace the Independent Broadcasting Authority.

The appointments will be subject to the approval of the Home Secretary.

Mr Michael Grade, chief executive of Channel 4, has attacked the proposal as unjustified and unnecessary political interference and Sir Richard Attenborough, the film producer and Channel 4 chairman has threatened to resign unless it is changed.

FT LAW REPORTS

Director must repay Guinness fee

GUINNESS PLC v SAUNDERS AND ANOTHER
House of Lords (Lord Keith of Kinkel, Lord Brandon of Oakbrook, Lord Templeman, Lord Griffiths and Lord Goff of Chieveley): February 8 1990

A DIRECTOR who accepts *remuneration paid by a committee purportedly on his company's behalf but without the necessary board authorisation required under the articles of association, must repay it because, irrespective of any services he may have rendered the company, he cannot profit from his position as a director other than as provided in the articles.*

The House of Lords so held when dismissing an appeal by Mr Thomas Joseph Ward, second defendant to an action by Guinness plc, from a Court of Appeal decision that he must repay Guinness an unauthorised payment of £5.2m. The first defendant was Mr Ernest Saunders.

LORD TEMPLEMAN said that Mr Ward admitted receiving £5.2m of Guinness money when he was a director of Guinness. Payment was, said Mr Ward, remuneration authorised by Mr Saunders, Mr Olivier Roux and himself, who formed a committee of the Guinness board of directors.

In the present proceedings Guinness sought an order for immediate repayment on the ground that the Guinness articles of association and the admitted facts, showed the payment was unauthorised and must be repaid.

The Vice-Chancellor made the order sought by Guinness. His decision was affirmed by the Court of Appeal. Mr Ward now appealed.

On January 19 1989, at a meeting of the Guinness board there were 10 directors present including Mr Saunders, Mr Roux and Mr Ward.

The board resolved that an offer be made for the issued share capital of the Distillers Company plc. It also resolved that three directors be appointed a committee with "full power and authority" to settle the terms of the offer and approve revisions.

Mr Saunders, Mr Roux and Mr Ward constituted themselves a committee for the purpose of those resolutions and carried them into effect. Guinness acquired all the Distillers share capital.

Mr Ward pleaded that in consideration of his providing advice and services to Guinness it agreed, in the event of the success of the bid, to pay him 2 per cent of the ultimate value of the bid.

The agreement was said to have been entered into by Mr Saunders, Mr Ward and Mr Roux on Guinness's behalf, and by Mr Ward on his own behalf.

It was said that the agreement was evidenced by an invoice delivered to Guinness by a company now admitted to be controlled by Mr Ward. The invoice claimed £5.2m for advice in respect of the successful acquisition of Distillers. The invoice was approved by Mr Roux and the £5.2m was paid. Mr Ward pleaded that he performed valuable services for Guinness in connection with bid.

Article 90 of the Guinness articles provided that directors' annual remuneration should be fixed by the board.

Article 92 provided that "The board may, in addition grant special remuneration to any director who serves on any committee . . . or who otherwise performs services . . . outside the scope of the ordinary duties of a director."

In article 2 "the board" was defined as "the directors of the company for the time being . . . or any committee authorised by the board to act on its behalf."

It was said that the result of applying the article 2 definition to article 91 was that a committee might grant special remuneration to any director who served on a committee or devoted special attention to the company's business.

The subject and context of article 91 were inconsistent with "the board," in article 91, meaning anything except the board.

Article 91 drew a contrast between the board and a committee of the board. The board was expressly authorised to grant special remuneration to "any" director who served on "any" committee. It could not have been intended that any committee should be able to grant special remuneration to any director, whether a member of the committee or not.

Only the board possessed power to award £52m to Mr Ward.

Article 110 provided that directors might "delegate to any committee . . . any of the powers . . . vested in the board."

That did not enable the board to delegate the power of deciding directors' remuneration which, by articles 90 and 91 was vested in the board alone.

Reliance was placed on article 100D which provided that "any director may act . . . in a professional capacity for the company . . . and he . . . shall be entitled to remuneration for professional services."

Mr Ward sought remuneration for his services as a committee member, not for professional services provided in a professional capacity.

It was submitted that Mr Saunders possessed implied actual authority or ostensible authority to agree on Guinness's behalf that he should be paid.

That allegation was inconsistent with the express terms of the January 19 resolution whereby the board conferred power in relation to the bid on the committee, and not on Mr Saunders. There never was any contract by Guinness to pay special remuneration to Mr Ward.

Mr Ward submitted that if he was not entitled to remuneration pursuant to the articles, he was entitled to a *quantum meruit* or equitable allowance for his services, amounting to £5.2m.

The short answer to a quantum meruit claim based on implied contract was that there could be no contract to pay special remuneration for a director's services unless that contract was entered into by the board pursuant to article 91.

The short answer to the claim for equitable allowance was the equitable principle that forbade a trustee to make a profit out of his trust unless the trust instrument (in this case the articles of association) so provided.

The law could not and equity would not amend the Guinness articles. The court was not entitled to usurp the functions conferred on the board by those articles.

Equity forbade a trustee to make a profit out of his trust. The Guinness articles relaxed the strict rule of equity to the extent of enabling a director to make a profit, provided the board contracted on its behalf for the payment of special remuneration.

Mr Ward did not obtain a contract from the board.

Equity had no power to relax its own strict rule further than and inconsistently with the express relaxation contained in the articles of association.

No one was obliged to accept appointment as a director. No director could be obliged to serve on a committee. A director who contemplated or accepted service on a committee or performed outstanding services might apply to the board for a contract for special remuneration.

At the January 19 board meeting Mr Ward was present but did not seek then or thereafter to obtain authority for payment of special remuneration. In those circumstances there were no grounds for equity to relax its rules further than the articles provided.

Similarly the law would not imply a contract between Guinness and Mr Ward for remuneration on a *quantum meruit* basis when the articles of association *stipulated that special* remuneration for a director could only be awarded by the board.

Section 317 of the Companies Act 1985 provided that it was the duty of a director interested in a contract "to declare the nature of his interest at a meeting of the directors."

The section did not apply directly because there was no contract. But it showed the importance which the legislature *attached to the principle* that a company should be protected against a director who had a conflict of interest.

The fundamental objection to Mr Ward's claim was that by the agreement with the committee he voluntarily involved himself in an irreconcilable conflict between his duty as a director and his personal interests. Both before and after January 19 1986 he owed a duty to tender Guinness impartial advice untainted by any possibility of personal gain.

Guinness's claim for repayment was unanswerable. If Mr Ward acted honestly and reasonably and ought fairly to be excused for receiving £5.2m without the board's authority, he could not be excused from *paying it back.*

The appeal was dismissed.

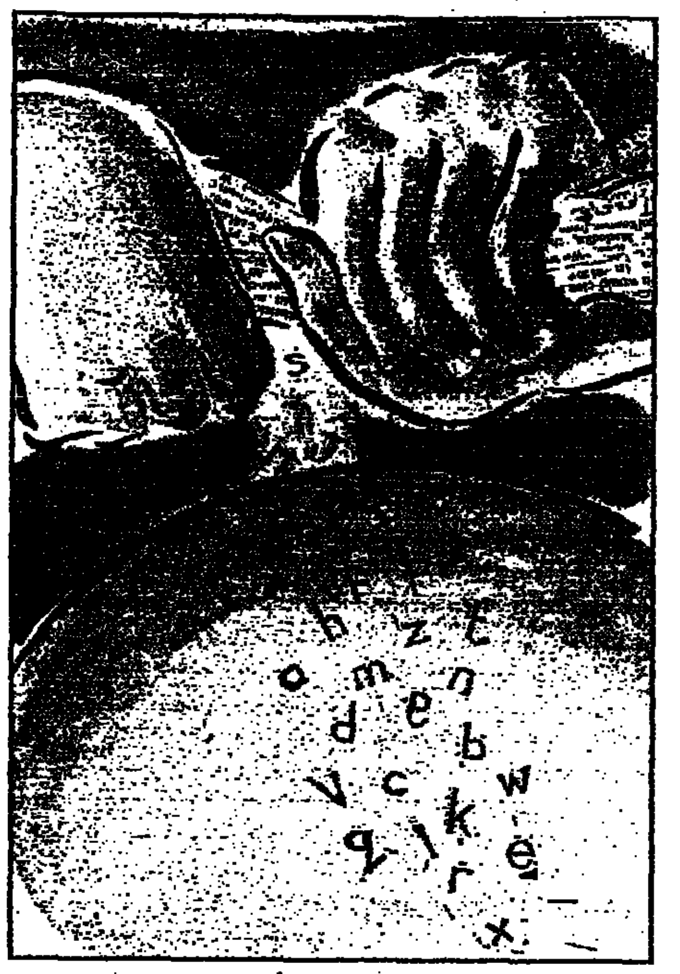
For Mr Ward: Peter Curry QC an Jonathan Crow (Calow Easton).
For Guinness: David Oliver QC and Phillip Sales (Herbert Smith).

Rachel Davies
Barrister

TECHNOLOGY

Taking the ink out of used paper is crucial to the recycling process. **Peter Knight** reports on different approaches to the cleansing job

I'm going to wash that ink right out of my hair



In a large cupboard at the Hylte Bruks newsprint mill in south-west Sweden is a collection of old bicycles, car batteries, wristwatches, toys and a mortar bomb. These are just some of the objects that people have dumped with their old newspapers and magazines.

Nearly half of the paper and board produced in the EC (excluding Scandinavia) is made from used paper. In 1988, 16.8m tonnes of paper was recycled, according to the European Confederation of Pulp Paper and Board Industries. In the UK, the Department of the Environment estimates that about 5m tonnes of paper a year could be recycled, but only half of that is.

The current emphasis on environmental issues has brought a greater demand for high-quality recycled paper.

Besides unwanted detritus, such as bikes and bombs, the paper-maker's main problem is to get rid of ink and other impurities such as "stickies" (glue) in waste paper.

There are two main de-inking processes: washing and flotation. The simple washing method is used extensively in the US and Canada, where it is also called rinsing.

Waste paper is mixed with water to make a pulp. Surfactants (the cleansing agents in washing-up liquid) are sometimes added and the pulp is agitated. This dislodges a lot of the ink, which is mainly composed of carbon and oil, and it is rinsed out.

Washing is usually employed to de-ink high-grade waste paper. The end product makes good quality writing paper or tissue. But there are two main drawbacks. First, up to 30 per cent of the pulp is lost; and second, washing produces a lot of effluent which is expensive to treat.

The flotation system uses more complex machinery and is, therefore, costlier to set up. But it is considered more efficient because less pulp is lost and less effluent created.

As in the washing method, the waste paper is mixed with water to make a thick soup-like mixture. Soap is added and the pulp is pumped into a series of tanks where air is blown in from underneath.

Aeration encourages the ink, which has been dislodged by the soap, to stick to the air bubbles and "float" to the surface. This sticking process is aided by the presence of soap. The scum is skimmed off and the pulp pumped to another tank where the process is repeated.

About 85 to 90 per cent of the pulp can be recovered if the flotation process works well. The remainder is lost with the soap and ink scum.

Flotation produces less effluent than the washing method. And the waste can be treated more cheaply before it is incinerated or dumped.

De-inked pulp is often brightened by bleaching. Chlorine, once favoured by the paper industry, is no longer popular because it has been discovered that the process forms dangerous dioxins. Hydrogen peroxide and other oxidising agents are preferred.

The chemistry of de-inking is similar to the process that takes place in the kitchen sink. Here a scum of calcium soap-salts is formed in hard water. In the flotation tanks the soap creates a series of love-hate relationships.

The salts stick to print particles and make them bigger and more hydrophobic or water-hating. The salts and print particles stick to the air bubbles and float to the top. Meanwhile, the paper fibres retain their love of water and remain.

But, as with any chemical process, there are a number of variables which can help or hinder de-inking when using soap. For example, the amount of calcium (hardness) in the water determines the effectiveness of soap because the formation of scum is an essential part of the process. Mills in soft water areas have to add calcium, which can lead to bigger pulp losses and unwanted deposits on machinery.

Some chemical companies were quick to see a commercial opportunity for a product that could replace soap and improve the efficiency of the flotation process. Albright and Wilson (A&W), a British-based subsidiary of Tenneco of the US, took four years to produce its range of de-inking chemicals, called Albright 8000.

The ingredients of 8000 are secret, but it is described as semi-synthetic because a high proportion of the chemical is, like soap, composed of fatty acids. The other compounds are designed to make 8000 easy to handle and to improve flotation efficiency.

With increased demand for recycled paper and the subsequent increase in price of high-quality waste (such as office and computer paper), paper makers want to recover as much pulp as possible during de-inking.

This means both chemical and mechanical elements of the flotation process have to work as efficiently as possible. Soap can cause problems with machinery because its solutions form a greasy solid when cooled. This can block drains or cause expensive stoppages while machines are cleaned.

A&W claims that its chemicals do not have the handling problems associated with soap and so reduce, in factory parlance, the buggeration factor. A&W also says 8000 can reclaim more pulp and makes it brighter than soap.

These claims, and those of A&W's competitors, are not strong enough to convince the vast majority of de-inking plants throughout the world, which continue to use soap.

But the Hylte Bruks mill in Sweden, which produces about 1,000 tonnes of de-inked pulp a day, has accepted A&W's assertions. The soft water available to the mill worked in the chemical's favour.

"When traditional fatty acid soaps are used, calcium ions are needed to make the process work," says Bob Turvey of A&W. "Our new emulsions do not depend on calcium ions for their de-inking effect.

"We found that water hardness affects the amount of fibre lost during flotation. Without the calcium, the mill's losses of fibre can be reduced by up to three per cent."

Recycling paper, including the de-inking process, uses between a tenth and half of the energy (depending on the paper-type) used to make virgin paper from trees.

But some of the chemicals used to get rid of the ink have been criticised. For example, some surfactants used in washing may upset aquatic life. "These surfactants might have been used in some early flotation formulations, but they are not now. All chemicals we have used have been regarded as safe," says Turvey.

But mill owners remain wary of introducing unknown chemicals. Shotton Paper Mill, in north Wales, produces 430,000 tonnes of recycled pulp a year. This is added to newsprint to improve the product. Shotton uses soap.

"It's difficult to know what is in the chemicals and we have to rely on the manufacturers for the contents. Soap is tried and tested. It's quite a clean product to work with," says Terry Parry, technical sales manager at Shotton.

Turvey says A&W's 8000 range is safe: "Some of our chemicals are of cosmetic grade and our formulations are no more toxic than soap."

In the fight to oust soap from the de-inker's shopping list, chemical makers face a tough battle to assure prospective customers that their concoctions are whiter than white.

Making for the gaps left by the big drugs companies

IN A WORLD of giants, how do the midgets survive? The question is particularly appropriate in the $130bn-a-year pharmaceuticals industry, which in the past year has been shaken by a series of mergers, leading to a much greater concentration of resources at the top end of the business.

In this forest of large groups, the smaller entities have to learn to survive by spotting gaps in the market left by the big fry. They also have to perform what amounts to a mental juggling act.

That entails forming alliances with the larger groups in which technologies and research methods are swapped. The transfer of ideas can lead to the smaller businesses gaining expertise in areas, such as marketing, which they do not have themselves. They can also earn a living by selling research to the heavyweights.

One company which illustrates these trends is Benzon Pharma, a small Danish drugs company which is part of Alfred Benzon, a healthcare and consumer goods group. Benzon Pharma's sales in 1988 of DKr 146m (£13m) are tiny compared with the multi-billion-dollar turnovers of, say Glaxo, of the UK, and the Anglo-American SmithKline Beecham.

Benzon has just 150 employees, 100 of them at head office in Copenhagen and another 40 (mainly sales people) scattered around the Nordic countries. It also has two small offices at Philadelphia, in the US, and Reading, in Britain. These act mainly as "listening posts" and as a link with the rest of the drugs industry.

Helle Bechgaard, Benzon's president, says that in some ways smallness is a virtue. "We have very short decision routes," says Bechgaard, one of the few women in a senior position in the world medicines industry. "We can do things much more quickly than the average-sized company."

Most pharmaceuticals companies have three parts to their activities: research, development and marketing. Benzon deliberately misses out the second leg of the triad.

Development is where drugs companies expend vast effort in guiding their products through clinical trials involving thousands of patients. It can cost about $70m just to bring one product through the trials and on to the market. Benzon reasons that it is better to leave development to the big battalions.

Instead the Danish company concentrates on several specific areas of activity within the other two legs of research and marketing.

The research element – on which Benzon spends about £2m a year – is especially important. This involves work on new scientific areas which are applicable to many kinds of drug. All its projects are carried out with an eye on the possibility of linking them to the programmes of other, usually much larger, pharmaceutical companies.

Benzon gains roughly half its turnover through sales of research expertise to the larger groups. The other half comes from sales of pharmaceuticals which are off-patent. As their effectiveness has been established by the medicines' originators, Benzon does not have to do any clinical trials.

The work involving links with other groups in research and marketing can be split into three parts:

- In the research field, Benzon has built up expertise in biotechnology through work in manipulating fragments of genetic material to find new processes for drug production. It has a number of patents in several biotechnological areas. One of these involves an enzyme which it has developed to snip out particular segments of genetic material in human or animal cells. The enzyme can be used to purify genetically engineered chemicals.

The Danish company has a number of agreements with other drugs groups which pay to have access to its ideas in biotech. It has such accords with Schering-Plough, of the US, and Celltech, of the UK, for example.

- Another of Benzon's targets is controlled-release techniques, which channel existing formulations into the body in an optimum way. The drugs industry is showing considerable interest in such ideas and several other small companies, including Napp Laboratories and Alza, both of the US, are working in this area.

The research is centred on techniques such as applying a thin film to a chemical, in pill form, which is known to have a therapeutic effect. The film either slows down or speeds up the pill's secretion into the body.

Such ideas can be used to improve the effectiveness of existing drugs, or reduce side effects. Benzon has a licensing agreement with Ciba-Geigy, the big Swiss medicines company.

- The third area of activity involves marketing. Benzon is active in the sale of finished pharmaceuticals in Denmark and other Nordic countries. This mainly entails taking the off-patent medications developed by other companies. It then attempts to improve on the products' effectiveness by using its own branded controlled-release techniques.

For example, it markets Uniloc, a heart drug based on atenolol, an off-patent chemical developed by Imperial Chemical Industries, of Britain. The chemical is produced by Benzon inside a specific form of drug packaging so that it infiltrates the body in a set way once swallowed, making the compound easier to administer.

Helle Bechgaard, head of Benzon

Bechgaard says that up to now Benzon has been happy to have a number of different alliances with individual companies in the drugs field. For the future, "our strategy is to look for a large international partner; but so far we have not found the ideal marriage."

Peter Marsh

Is it a myth or a real Superman?

Lisa Wood *searches for the composition of the likely Euro-manager*

Anyone who thinks that the much-vaunted Euro-manager needs to be able to cope with a lifestyle that involves working in Madrid today, Paris tomorrow, and Bonn the day after, is barking up the wrong tree, says Paul Evans.

As professor of Organisational Behaviour at INSEAD, the European business school at Fontainebleau, near Paris, Evans has more experience than most in the breeding of international managers. Since creating INSEAD's executive seminar on "management of people" in 1977, he has had constant contact with top management in a string of European multinationals.

Jet-setting between international operations, says Evans, is more likely to create the business equivalent of the over-packaged tourist. "All that type of experience does is reinforce the individual manager's stereotypes of the people he or she is meeting, or meant to be managing," says Evans.

So what is the recipe for creating the Euro-executive? He or she may not be mythical, as critics have claimed, but this superior creature is definitely a rare breed, according to Saxton Bampfylde, the headhunting firm.

In a recent report, the firm defined the species as people who could operate with equal confidence wherever they were in Europe. Evans' definition takes that concept further. He believes the man or woman capable of being a Euro-executive – whom, he argues, is a sub-species of the international manager – is one comfortable in managing and channelling diversity.

"When people work across frontiers they begin to recognise that certain things are no longer accepted wisdom," says Evans. "There are profound differences between European countries, not just in markets and competences, but in basic concepts of management and organisation."

He cites a study by Professor André Laurent of INSEAD who asked managers from multinational companies working in several countries whether it was important for a manager to have at hand more or less precise answers to most of the questions that his or her subordinates might raise about their work. The results showed stark differences in attitudes.

These responses, says Evans, are based on the very different management styles of the respondents. On the one hand the American executive is not expected to be an expert in all the fields he or she manages. So when he or she is asked a question from a subordinate, the query can be passed on to somebody who can answer *it*.

In West Germany the manager is expected to be the expert, *so he will be expected* to answer the question, while in Latin countries the manager will expect to answer the question because he is the boss. At the very extreme of this spectrum, the Japanese employer will know that his employees will not ask him a question unless they are confident that he will know the answer.

Neither one of these management styles, says Evans, *equips a person to be* a better international manager. What does is the ability to understand and appreciate the difference. He gives the theoretical example of a British manager, the proverbial generalist, going to work in West Germany where people follow more expertise-based and functional career paths than in the UK.

A negative response, says Evans, would be for the British manager to feel hemmed-in and to condemn the Germans as narrow. A positive response would be to appreciate their tremendous in-depth expertise.

Hands-on responsibility, says Evans, forces the manager to get results from people who are very different from themselves. Managers, he says, only get results from people when they understand their perspectives. So managers sent on international assignments have to spend time building relationships and understanding those perspectives.

So, are these super-executives born or are they corporate creations? And are they more likely to come from certain countries than others? (Saxton Bampfylde claims that the Netherlands, Belgium and Scandinavia are the best seed beds.)

"It is not a question of a national genetic profile," Evans says. "Good international managers are created by diversified experience."

Companies in certain countries have been at the forefront of the trend towards building international managers, says *Evans. His list singles out Sweden,* the Netherlands and Switzerland. Not only do they have small domestic markets and hence have long sought sales overseas – thereby sending managers abroad – but, paradoxically, they also have small domestic labour pools and so have had to import managers from abroad.

SKF, the Swedish ball-bearing company and Philips, the Dutch electronics group, both employ large numbers of foreigners at their headquarters. This has had the significant effect of giving other nationalities greater influence and more attractive career paths than before.

The challenge, says Evans, who made a considerable *impression among managers* when he spoke on the subject at a Financial Times seminar last month on "Creating a Euro-Workforce," is to build the appropriate cohesion among diverse cultures and so create executives capable of managing internationally. "It is not a question of making managers European – as if we could make some composite person. That would be the *quickest* way of making an individual into a schizophrenic," he says.

Indeed, Evans argues, understanding other peoples' cultures does not mean that the individual loses his or her individuality. Rather, as Evans' own experience in workshops reveals, people of many nationalities working together become starkly aware of their differences. He points to "the classic metaphor that the fish is not aware that it is swimming in water until it is fished out of it."

Evans has a simple model for the international company striving to build cohesion among a diverse workforce. Face-to-face contact between the different nationalities is a first step, followed by problem-solving via project groups and ad hoc task-forces.

Management training of the individual is then followed by posting him or her overseas. "Mobility of *staff* is probably the most powerful tool to build the effective international organisation," says Evans.

A Thatcherite model under test

John Thornhill assesses the Victorian values of British Vita

If *Mrs Margaret Thatcher* were ever to scour the financial pages in search of a company that best encapsulated her philosophy then her eyes might linger longingly over the record of British Vita.

For during the Prime Minister's years in power, *this Man*chester-based polymer, fibre and foam company has transformed itself from a small, rather erratic business making sales of £89m in 1980 into a widely-admired international company which, in its last full financial year in 1988, turned in sales of £453m. With substantial interests on the European continent and a recently-acquired investment in the US, Vita seems vibrant and well placed for further growth.

The company was founded in 1949 by Norman Grimshaw, who was by all accounts a flamboyant and energetic character, more given to building new plants in Africa than pleasing pinstripe-suited analysts in the City. Portraits and busts of him adorn the offices of Vita's headquarters in Middleton, on the outskirts of Manchester; Bob McGee, Vita's chairman and chief executive, still affectionately refers to him as the "old fella."

According to McGee, Grimshaw created a business that was immense fun to work for but after his death in 1978 it was in danger of losing direction or control. "The old man left us a wonderful legacy of assets. It was a question of sorting out the organisation . . . We had a great business *but* we were *not making* any money," McGee says.

The chirpy plain-talking McGee says that after years of somewhat haphazard expansion the company came to the realisation that it would have to take its responsibilities as a public company seriously and develop a more systematic approach to its businesses. "Our whole philosophy was then to get up and get going," he says.

The present day company has evolved a distinctive management style, wrapped up not in fashionable business school jargon but in plain Lancastrian common sense. The company ethos owes much to those Victorian entrepreneurial values of aggressive ambition, bold strategy, and sheer hard work that the Manchester region has traditionally been famed for and which Mrs Thatcher professes so much to admire.

In particular, three aspects characterise British Vita's approach:

● The company's work ethic. In common with Mrs Thatcher, *McGee believes that people* work harder for enterprises in which they have a financial interest. He has therefore tried to develop what he calls the "proprietorship syndrome" among the employees.

All workers are encouraged to take shares in Vita but the the share incentive scheme is particularly significant for the group's senior managers who run the individual business units. Those managers who have worked for Vita for about 10 years can expect to build up about £250,000 to £500,000 worth of shares by the time they retire.

McGee claims the amassing of such capital helps the company retain talented staff and stimulates the executives' efforts. He says: "Our managers are well paid, work damn hard and go on holiday in Barbados."

But the emphasis on ownership goes beyond just share distribution. For the most part, the top managers are encouraged to run their businesses as though they were running *their own individual private* companies. They are able to determine their own strategy, including deciding on acquisitions. Two weeks ago, for example, Libeltex, a Belgian subsidiary of Vita, identified and bought one of the manufacturing divisions of Brinkhaus, the West German consumer products company, expanding its presence in the pre-formed fibre cushion market. McGee wants his managers to be ever conscious of the importance of financial performance and to be wise in the ways of the City. He realises that delivering the financial goods is crucial for a public company. "If I ever take that aim out of my gunsight then some bugger is going to have *me,*" *he says.*

Vita's management style is wrapped up not in fashionable business school jargon but in plain Lancastrian common sense

Some of Vita's City followers have suggested that this highly decentralised approach with the firm central emphasis on financial performance gives Vita the appearance of a conglomerate.

But McGee claims this is misleading. All Vita's businesses, he argues, are centred around polymer technology with real benefits to be gained from shared expertise and greater buying power. The company's directors also have a strong background in the field and are able to understand the company's technology as well as its finances.

● The strategy of the company. McGee believes a particular strength of Vita is the way *it has positioned itself in the* marketplace.

Vita suggests that the polymer market can be schematically divided into three concentric circles. At the centre are the international chemical suppliers which manufacture the raw materials. Vita positions itself in the second ring, *taking* the materials from the chemical companies and applying their technologies to a wide variety of industries represented in the third ring. Crudely put, the chemical companies do the research, and Vita's 130 business units do the development and marketing.

The market opportunities are considerable and varied, for in the "magical world of polymers" every modern house potentially contains a welter of products from foam for furniture and carpet underlay to nozzles for aerosols and materials for dance leotards.

Vita's positioning therefore gives it great flexibility, allowing it quickly to expand in growing markets and to withdraw from contracting ones.

● The group's method of expansion. In 1975 three quarters of Vita's profits came from Africa but during his time as chief executive, McGee has redressed this geographical imbalance and Vita has concentrated on expanding in Europe. It now has operations in Belgium, West Germany, Spain, Italy, the Netherlands and France, accounting for more than 60 per cent of the company's business.

Rod Sellers, the finance director, says Vita first got to *know the continental Euro*pean market after making two small acquisitions in the Netherlands and Belgium in the 1970s. From the mid-1980s Vita has made a big European acquisition just about every year. Some of the companies have been brought to Vita's attention by corporate "marriage brokers" but Sellers says the most successful acquisitions were those that Vita itself identified through commercial links. "If there is a meeting of minds everything can be sorted out a lot more quickly and easily," he says.

Typically, Vita has bought under-performing companies – usually with a purchase price of less than 10 times their historic earnings – and has tried to reinvigorate them. The acquired companies have often been subsidiaries of big conglomerates or single country companies that have been stunted by management or market considerations.

Vita concentrated on the continental European market instead of the US, which then was more fashionable among British companies, because of what it perceived were more attractive opportunities there. McGee says: "American businesses are like ski-suits in C&A in April: everyone has tried *them on.*"

The cynic may well argue that British Vita has had it easy in a decade of loose labour markets, relatively weak competition, and a thriving UK economy and that the crunch will now come in a harsher trading environment. And indeed the company's management itself concedes as much. But it remains confident that the basic business principles that apply to a small Lancastrian company are equally valid for a larger Europe-wide business. Whether companies such as Vita can continue to perform successfully will say much about the permanence, or otherwise, of the Thatcherite "economic miracle."

ARTS

TELEVISION

Fun is hard graft

It is difficult to avoid the feeling that television comedy is floundering because nobody is trying hard enough. That *something* is wrong seems pretty clear. Admittedly comedy is one of those areas where critical acclaim and public popularity are sometimes poles apart: a series such as *On The Buses* can win huge ratings for years without receiving a kind word from a single serious commentator. On the other hand you may fail to set the BARB lists alight and yet win plaudits all round from the professional critics, as *Brass* did for instance. But comedy at present – British comedy, anyway – seems to be achieving little in either respect.

Personal experience suggests that comedy comes high on the list of many viewers' preferences. What do you like to watch after a hard day at work and a frustrating journey home? "Oh, a film, perhaps the news, something that'll make me laugh." You can attract big audiences with a good comedy, yet there are precious few in the current Top 20.

If you accept the modern BARB system of aggregating audiences for programmes which are repeated in the same week, then the highest rated comedies in the current list are BBC1's *May To December* at No. 19, and ITV's *Watching* at No. 21. (The first is a spring-and-autumn romance starring Anton Rodgers and Eve Matheson, and the second features a bird-watching wimp and his termagant fiancée played by Paul Bown and Emma Wray.) Leave out the repeat figures and these two series move into positions 9 and 10 in the Top 20 list, but no other comedies appear.

Of course we did recently have another run of *Blackadder*, but, now that it is finished, dinner party conversations suggest that an awful lot of those viewers categorised A and B by marketing men express a preference for American comedy series: not just the old ones such as *Bilko* or *M.A.S.H.* but current ones such as *Cheers* and *The Golden Girls*.

Over the years the idea has got about that in television comedy – as once upon a time in sport and business – the British rely on gifted amateurism and leave sweaty professionalism to the Americans. For some reason, the British have always valued success which comes from effortless talent above success from hard graft, and it is as true of making sitcoms in 1990 as it was of empire building in 1890 or industrialisation in 1790.

As with most ideas of this sort, there is some truth in it. Though the source of talent in television has not usually been the languidly superior ex public schoolboy who featured so frequently in the sporting or military triumphs of previous eras, it was still the individual flair of Johnny Speight, Warren Mitchell and Dandy Nichols which made *Till Death Us Do Part* rather than the rigours of an American sitcom production line. And it was the talent of Dick Clement, Ian la Frenais and Ronnie Barker which brought success to *Porridge*, not the methodical disciplines of the American system.

But that is hardly a good reason for spurning the American approach and sitting around waiting for talent to strike like lightning out of the blue. The funniest British sitcom of the last 20 years was *Fawlty Towers*, a series which has grown steadily in my estimation as the years have passed. Repeat viewings have proved that the best of the 13 episodes are constructed with the intricacy of chronometers, and they work with the same smoothness.

This is not simply because of the talent of John Cleese (and his co-writer and then wife Connie Booth). It is said that each episode took about four months to write and ran to a dozen drafts. What you seem to have here is a driven man with a powerful conscience who imposed upon himself the same sort of disciplines which American writers have imposed upon them from without.

If it comes neither from within nor without – if nobody is saying "Go back and write it again, tighten it up, put in more jokes, hit me with something original" – then what you get, presumably, is the sort of series brought to us by British television this season: *No Job For A Lady*, *The Comic Strip Presents*, *You Rang M'Lord*, and *Haggard*, for instance.

None of these is a complete turkey, but they are all more or less flabby. *No Job For A Lady* is an attempt at another vehicle for Penelope Keith. This time she is cast against type as a backbench Labour MP, but not a Champagne socialist who believes it is everybody's right to eat at the Connaught and drive a Bentley, which might have been a good PK joke. Instead we get all the predictable stuff about women in a man's world, starting with her walking into the men's lavatory. Told that a constituent wants to know what her MP is going to do about her haemorrhoids, La Keith replies "I hope you didn't tell her to bring them over and I'll look into them."

In the first two episodes of *The Comic Strip Presents* the "alternative" crowd (Adrian Edmondson, Nigel Planer, Robbie Coltrane, Dawn French, Janet Saunders etc) offered an outrageous story about robbing a bank to finance an invasion of the Falklands so that a lovelorn radio ham could rescue his beloved from General Galtieri. There were funny moments (Edmondson inadvertently releasing all the oxygen masks on the hijacked airliner) but also dialogue such as "I'll have a Bloody Mary," "Well we've only got bloody lager." To write a line as lazy as that is bad enough, but failing to cut it before transmission is appalling.

Dawn French and Robbie Coltrane in 'The Comic Strip Presents'

You Rang M'Lord is the latest series from Jimmy Perry and David Croft who, separately or together, have been responsible for *Dad's Army*, *It Ain't Half Hot Mum*, *Hi-De-Hi!* and *'Allo 'Allo*. Croft co-wrote *Are You Being Served*, a questioning title remarkably like their latest, and the atmosphere in all these series is similar. Dornford Yates would feel at home in this world where class is the dominating factor and fondness is (no doubt rightly) the expected response from the audience.

In *Haggard* Keith Barron plays the impecunious squire familiar from a hundred pantomimes, and Sam Kelly is his much cleverer servant, Grunge, better know as Buttons. No doubt children and their grandparents having tea together on Saturday evenings turn to this as to *Cinderella* with the expectation of total familiarity. They will not be disappointed.

There us nothing wrong with the fond, the familiar, the nostalgic, the predictable, the undemanding . . . in reasonable quantities. But if you leave things to chance, and simply hope that a new Galton and Simpson partnership will one day walk through the door carrying a new *Steptoe And Son*, and nothing happens, then eventually it might surely be a good idea to take a leaf out of the American book and start trying to make things happen.

Nor is it solely a question of discipline on the technical side. Even though the Miami retirement scene of *The Golden Girls* and the Boston singles bar of *Cheers* are quite foreign to most British viewers, there are qualities within these series which bring them nearer to home – the British home – than many British series.

No doubt we see only the best of what is made in the US, the tip of the iceberg, and should remember the vast invisible and doubtless ghastly mass beneath. No doubt some would say that modern British life is reflected in such British series as *The Two Of Us*, or *Bread*. Yet I see very little in these which resembles or comments upon the lives led by the people around me.

Much of *The Golden Girls* is sheer wise-cracking nonsense, but the series does also have significant things to say about being single and getting old. *Cheers* is currently dealing with a heterosexual relationship (between Rebecca and Sam) with an honesty and explicitness which would be unthinkable in *Only Fools And Horses*. It should not be unthinkable. British sitcoms need to progress beyond pantomime and start discovering contemporary reality.

Christopher Dunkley

Alastair Muir

Raúl Giménez

Don Pasquale

COVENT GARDEN

This is a Donizetti revival of choice quality. On those occasions, rather too frequent, when *Don Pasquale* is rompishly presented, or treated as no more than a vehicle for sight-gags and costume-and-prop-tricks (as happened n the recent Opera North production), the lover of this work experiences a certain difficulty in pressing its claims to be ranked among the masterpieces of theatrical comedy.

Little of any such difficulty was experienced on Monday: familiar passing irritations provoked by the facetiousness of Jean-Pierre Ponnelle's 1973 staging (now in the hands of his former assistant, Grischa Asagaroff) were always soothed, and for the most part even banished, by the polished stage address and musical fine grooming of the leading players. In this peerless *opera buffa*, a rare, seldom-equalled example of the Italian genius for fusing comic situation and vocal lyricism, style is of the essence. The current principal quartet – Kathleen Battle (Norina), Thomas Allen (Malatesta), Paolo Montarsolo (Pasquale), and Raúl Giménez (Ernesto) – are blessed with an accurate sense of style, and so the performance is tuned and pitched with chamber-music dexterity.

There is no heavy mugging, no complicitous oh-what-fun-we-are semaphoring to the audience (apart from the regrettable encore pasted onto the Pasquale-Malatesta duet, a fmailiar lapse). Miss Battle and Mr Allen play with and off each other with the assurance that character observation and vocal distinction count for more, in total, than easy, vote-winning tricks. The soprano's deliciously pearly tones and immaculate phrasing sometimes risk mannerism; not here. Mr Allen (who has exchanged the production's formerly garish check trousers for something more dapper) is now an absolute master of operatic comedy. A sudden shooting-forward of a frilly cuff speaks volumes, but never too much; the voice, a touch dry at the start, is used with marvellously understated control.

Montarsolo's treasurably Italianate Pasquale is rich in those classic sighs, snorts, and body-language of native tradition, yet quite devoid of gross farce. Selfishness and vanity are not hammed, nor are poignancy and pathos (it was the fault of the conductor, Bruno Campanella, who slowed the pace down, briefly but unconscionably, after the moment of face-slapping, that a note of sentimentality was here allowed to intrude); this is a thoroughly rounded portrait, sung with skill and warmth.

Giménez, the young Argentinian tenor already prized by Wexford visitors, combines a dusky Latin timbre, veiled with a hint of melancholy, and a winningly gentle, poetic command of phrase; he looks good on stage, and is altogether welcome on this one. The conductor, another house debutant, tricked out the overture with fancy (because self-conscious) rubato rather too often repeated thereafter; but at least he responds with imagination and obvious commitment to a score which rewards such virtues handsomely but which is nevertheless all too often fobbed off with routine.

Max Loppert

The Rape of Lucretia

ROYAL COLLEGE OF MUSIC

Ceri Sherlock has staged Britten's opera quite tidily for the RCM, with sponsorship by the John S. Cohen Foundation. The male and female Chorus wear suits throughout; everybody begins in modern mufti, and the lesser characters double as scene-shifters, which means moving statues, a Marian shrine and some benches about in scenes where they don't sing.

The Roman generals eventually slip into something vaguely Roman (toga-strips, which kept slipping off): poor cuckolded Junius has short hair and keeps his black shoes on below his toga, whereas Tarquin is bare-footed and -chested and sports a tremendous unruly mane. This makes everything very easy to understand.

The other characters run vigorously about with Lucretia's bed, suggesting that the rape may turn into a gang-bang, and the heroine's *felo-de-se* in a fitted white shortie-nightdress with bleeding tummy infallibly recalls the alarming *Carrie*. But generally the tone remains sober and sensible, and as conducted by Michael Rosewell conducted a strong, well-defined account of the score. One had expected to hear more of Ronald Duncan's text than we did in the little Britten Opera Theatre, but Rosewell should not be blamed for that – some would rather praise him.

There was mature, thoughtful delivery from the tenor Paul McCann as male Chorus and the bass-baritone Graham Case as Lucretia's husband, both very English (not to say Anglican) voices. The interesting baritone of Guy Harbottle's Tarquin has an interesting potential, like Jill-Maria Marsden's soprano Chorus. The Lucretia of Hilary Brooks, vividly acted, and Howard Croft's Junius both had excellent moments, though they under-projected in *piano* and in their lower registers. The maids were the soprano Rosemary Joshua and the contralto Frances Jellard, a bright, forward pair who have the confident ring of young professionals.

The opera can be heard with the same cast on Friday, with a partly different one tonight and Monday.

David Murray

Meridian

CONTACT, MANCHESTER

The civil rights movement of the 1960s is the subject of Alice Walker's 1982 novel *Meridian*, which has been adapted for the first time for the stage by Philadelphia-born but Lake District domiciled Cindy Artiste. This precursor of the phenomenally successful *The Color Purple* takes Walker into familiar territory, baring the bleedin' soul of the Ms black America who carries with her into the 20th century the stigmata inflicted by centuries of slavery.

Her heroine, Meridian, is a modern martyr to the cause of peaceful protest who rises by dint of untutored intelligence above the round of birth, degradation and death, abandoning the baby of her small town mid-teens to sign up at college and join the swelling ranks of black resistance. Humiliated, abused and abandoned by her black beau, Truman, for the racy charm of a neurotic white girl she sublimates the guilt of her people into a sainthood that, fine as it is, is ultimately, politically useless. She can stop a tank in its tracks by lying down in its path, but she cannot persuade humble black country folk to vote.

Paulette Randall's production, beautifully designed by Kendra Ullyart, has an imaginative scope that goes a long way to encompassing the symbolic richness of a novel in which the heroine briefly acquires a halo and a tree, watered by the tears of slaves, is dragged groaning and screaming to the ground.

The central, insurmountable, problem is the adaptation itself which begins with an ungainly interspersal of straight narrative and dramatised scenes, and finally gives up any attempt to keep abreast with the plot as Meridian returns to the home town in which her abandoned son has, inexplicably, been murdered by a young black girl, and lies down to die in front of an impressively lifelike tank.

The evening is saved by a studding of vivid confrontations, in one of the most memorable of which the young Meridian, her militant friend Ann-Marian and a young volunteer brave humiliation at the hands of ketchup spraying waiters in an all-white cafe with a humour and dignity that gives a thudding cruelty to the subsequent torture and "disappearance" of the young girl.

Jo Martin's Ann-Marion, rebellion bristling with her brave new afro-frizz, has a cool belligerence that contrasts well with the waiflike gentleness of Clare Perkins' Meridian, a child forced to premature adulthood by the hard facts of life and then aged beyond her years by the responsibilities that adulthood brings. This is good casting, solidly supported by the doubling of Cindy Afflick and the pixielike Faith Edwards, with a somewhat exaggerated portrait of emotional collapse from Jane Louise Arnfield as Lynne, white fall-girl to the sexual ramblings of Roger Griffiths' comparatively under-drawn Truman.

Claire Armitstead

Lynton Atkinson

WIGMORE HALL

At recital appearances by young singers it is invariably best to reserve judgement until after the interval and for Lynton Atkinson, the winner of the 1988 Richard Tauber Prize, who was giving his prize-winning recital at the Wigmore Hall on Monday, this was certainly the case.

The trouble was that the singer's delivery of *Schumann's Liederkreis Op. 39* had made such an unpromising start to the evening. With the accompanist, Geoffrey Pratley, making no attempt to guide his young soloist helpfully forwards the result was a performance that had almost no sense of direction. The music was simply left to trudge along with monotonous regularity from note to note and phrase to phrase.

This was a shame, as Lynton Atkinson is not without some attractive features in vocal terms. The voice is essentially an English tenor, with all the characteristics that one might associate with that description, including sensitivity to line and an affecting head tone at the top. But when he sings out, the sound becomes unexpectedly brighter and more forward in a way that was to pay dividends later in music of an Italianate cut.

The greater part of his second half, though, was devoted to French *mélodies*. In these the singer seemed increasingly at ease. A group of songs by Fauré, taken from the *Mélodies de Venise*, were sung with affection, if without much evidence that he was really determined to communicate with his audience. The flash of positive thinking that illuminated the opening of "Green" was what we needed more of elsewhere.

In the closing songs by Falla and Respighi, a well-balanced selection, that stronger impression at last started to impose itself and the singing duly gained in colour and verbal impact. Yet even here there was little to show that this potentially appealing tenor is as yet anywhere but at the starting-line in a recital career.

Richard Fairman

ARTS GUIDE

February 9-15

THEATRE

London

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Elaine Paige failing to emulate Ethel Merman. Jerry Zak's desperately bright production comes from the Lincoln Center in New York and is undemanding fare (734 8951, cc 836 2428).

Jeffrey Bernard is Unwell (Apollo). Brilliant performance by Peter O'Toole as an alcoholic journalist who embodies a Falstaffian, nay-saying life force while committing public suicide by vodka. Keith Waterhouse has stitched a fine play, the season's highlight, from Bernard's own writing. Ned Sherrin directs (437 2663).

A Little Night Music (Piccadilly). Fine revival by Ian Judge imported from Chichester, of Sondheim's 1973 schlagobers version of a Bergman film. A beautiful score, composed mostly in waltz time, is touchingly performed by Lila Kedrova, Dorothy Tutin (her best work in years), Peter McEnery and Susan Hampshire (867 1118).

Another Time (Wyndham's). New Ronald Harwood play, directed by Elijah Moshinsky, about a white South African family in Cape Town and Maida Vale. Albert Finney plays father and concert pianist son across 35 years, suggesting that talent is a means of escape and a reason for not going back. Janet Suzman and Sara Kestelman are electrifying in support (867 1116).

M. Butterfly (Shaftesbury). Peter Egan has taken over from Anthony Hopkins as the tortured diplomatic hero in a Peter Shaffer-style "spectacle of ideas" dressed up in John Dexter's superb production as a metaphor of homosexual life. The transvestite tragedy proves less electrifying than in New York; the play is not very good but still worth seeing (379 5399).

New York

Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to at least shake the bones of this inert depiction of lives that criss-cross in an elegant, but somewhat random setting (246 0102).

Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical in contrast with the elaborate original a decade ago emphasises the descent into madness of Bob Gunton as the demon barber of Fleet Street (239 6200).

Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.

Rumours (Barrymore Theatre). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits (239 6200).

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Chicago

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Winter's Tale (Goodman). Frank Galati directs a production that spans the ages, interpreting Shakespeare as running from Ovid and television. Ends Feb 17 (443 3800)

I'm Not Rappaport (Briar St). Shelley Berman, one-time standup comic, now plays Nat, Herb Gardner's memorable Central Park character who gags his way through the 1986 Tony Award winner (348 4000).

The Good Times are Killing Me (Body Politic). This City Lit production of Lynda Barry's first play captures an American childhood with poignant zaniness (871 3000).

Tokyo

Kabuki. Kabuki-za. Performances at 11am and 4.30pm. Of the three pieces in the matinee, the most famous is *Funa Benkei (Benkei in the Boat)*, which is set on a kabuki version of a noh stage. The evening programme features two short dance pieces and a full-length drama, *Sannin Kichiza (Three Men Called Kichiza)*, an amusing and action-packed genre piece about three bandits who all have the same name. One of them is a young pickpocket who disguises himself as a woman – a virtuoso performance by the versatile Kikugoro. Earphone guide in English (541 3131).

Bunraku. National Theatre. Performances at 11.30am, 3pm, 6pm. (265 7411). Each of the three programmes features a well-known love suicide drama from the 18th century. The first is by Chikamatsu Monzaemon, sometimes called the Shakespeare of Japan; the second is the story of the love between the daughter of an oil shop owner and one of the young clerks; in the third, the gloomy story is relieved by some virtuoso puppetry including a shamisen lesson and a dance for two monkeys. Earphone guide in English.

SALEROOM

Mega Impressionist sales

Christie's has added another masterpiece to its mega picture sale in New York on May 15th. Manet's "The bench," depicting a park bench and a marble table in a garden, vibrant with red geraniums, is expected to sell for \$25m. It joins in the auction Van Gogh's portrait of Dr Gachet, which carries a top estimate of \$50m.

The week of New York Impressionists and modern picture sales will test the strength of the art market and the rivalry between Sotheby's and Christie's. The next day Sotheby's is offering one of the most famous of all Impressionist paintings, Renoir's "Au moulin de la galette," which also carries a top estimate of \$50m, within sight of the auction record of \$53.9m, paid for Van Gogh's "Irises" in 1987.

Phillips in London had its best furniture sale of the season yesterday. It totalled £863,333, with just 7 per cent unsold. The top price was the £30,800 paid for a mahogany Regency dining table, 16ft 9ins by 5ft 4ins, which had a top estimate of £20,000.

The most interesting item on offer was a pair of William Kent carved giltwood chairs which are identical to chairs that Kent designed for Lord Burlington's Palladian villa, Chiswick House, and with George Levy of Blairmans as the buyer, at £28,600 (top estimate £7,000), there is a good chance that the chairs might end up in what is probably their original home.

A carved mahogany stool made by Jacob Desmalter, the most fashionable furniture maker in Paris during Napoleon's glory, did very well at £22,000 and strong Italian buying reached a peak in the £16,500, three times estimate, paid for a late 18th century continental rosewood bureau, perhaps made in Dublin.

Bonhams just failed to reach £400,000 with its "Dogs in Art" sale which it completed on Monday evening. Another disappointment was the fairly high unsold percentage of over a quarter in value. Still, most of the top lots did well, the dealers McConnell-Mason paying £19,800 for "By the Day's Bag" by Arthur Wardle, which shows gun dogs guarding the game. Anyone still keen on pet pictures should go along to Christie's South Kensington tomorrow evening for an auction "Man's Best Friends," which includes cats along with some rather good dog pictures.

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The Party tries again

THE MOST radical part of the "platform" of the Soviet Communist Party's central committee – the document which will be put to the 28th Party Congress in the summer in order to set the Party on a new track – is that on the economy.

All else is a matter of following the processes already in train in Soviet politics and society. This is not to dismiss the significance of the proposed abolition of article six, which enshrines the Party's leading role, or of greater autonomy for the republics, or of democratisation within the party itself, or, indeed, to move towards the creation of a democratically elected president. But all these can no longer be described as initiatives.

Taking the lid off Soviet society, as Mr Gorbachev has sought to, has meant that suppressed longings for national and individual freedoms have taken political, even violent, forms. To do the Party justice, its platform is not seeking to *turn clocks back. It is trying to* roll with the punches, hoping to be able to get up off the floor afterwards. If, like Tyson, it cannot, there is going to be no external body interfering to try and get its crown back.

Remained immune

The economy is different. It has so far remained immune to all that Mr Gorbachev's reformers have tried. The various pieces of legislation look impressive. They have given enterprises the duty to be self-financing and allowed co-operative (private) businesses to be *established; they have urged* farmers to lease their own plots of land; they have desperately exhorted individuals to show initiative in work. But none of these has shown much effect.

The enterprises stagnate, the co-operatives are unpopular and parasitic, the peasants do not want the land. This is hardly surprising: there are no real prices, no markets in capital or labour and the command economy has simply changed shape, not disappeared or even shrunk.

It is, therefore, important that the Communist Party platform says *that it "believes that* the existence of individual property, including ownership of the means of production, does not contradict the modern stage in the country's economic development." It is equally important that it wants to pay increased interest rates on deposits in banks (currently at 2 per cent), develop the insurance business, sell houses and create joint stock companies. It is even eloquent, and right, in its recognition that equal competition between different forms of property "is the economic basis of civil freedoms, of the freedom to choose the form and method in which a worker will work, and the guarantee of consumers' rights and interests."

Command economics

But will it get off the paper and into the streets? Much of the platform's rhetoric was knocked on the head last year, when Mr Nikolai Ryzhkov, the Prime Minister, decreed a return to command economics to address the chaos in the economy. The party hardliners *are waiting to ambush it at the* next Congress. Mr Yegor Ligachev, their representative in the politburo, told the Central Committee plenum last week that he would resolutely oppose "opening the slightest chink to permit the introduction of private ownership," and called for a referendum on the issue. Most politicians who call for a referendum believe they will win it, and, on this issue, he probably would have the edge on Mr Gorbachev. On the basis of recent, if limited, experience, the mass of people associate the free market with higher prices and harder work.

Not much is welling up from below in the Soviet Union which gives market liberals any cheer. The Communist Party and the Government have so far backed away from every challenge to the effects of any timid liberalisation they have tried. The best hope for a move towards the market may lie in the policies pursued by independent-minded republics like those in the Baltics.

The time for struggle by resolution and document and speech has long been over in the Soviet Union. If the Party cannot initiate reform any longer, it must give way to a force which can – *which is why it* must also be hoped that it means what it says about a multi-party democracy.

Drexel dismembered

FEW TEARS will be shed over the financial woes of Drexel Burnham Lambert, the Wall Street investment bank which helped spawn an epidemic of contested takeovers in the 1980s by creating the junk bond market. The sheer speed of the progression from hubris to nemesis – the firm made profits of close on $1bn as recently as 1986 – has gratified many of the competitors it treated with such scant respect. Prominent industrialists who have been threatened by Drexel's predatory clientele will breathe a little easier on the news that the firm's holding company has defaulted on $100m of loans. And central bankers will probably be content to see an example made of an investment bank whose *troubles appear to pose no sys*temic threat to the US financial structure.

*It is a classic tale of over*reaching ambition and financial excess. The irony is that it might have ended very differently if the business cycle of the 1980s had not proved so durable. For in the late 1970s and early 1980s former Drexel partner Mr Michael Milken, the junk bond innovator, could reasonably claim to have financed many sound, if unspectacular, companies that might otherwise have been denied access to the bond market. If the junk bond market had been tested by an economic downturn at an earlier stage, it would not have played host to so many ill-judged issues where a successful outcome depended on early refinancing or asset sales.

Corporate raiding

That is not to say that the growth of the junk bond market since the mid-1980s yielded *no wider benefits. The pros* and cons of corporate raiding will be debated indefinitely and many of the raiders who owe their fortune to Mr Milken sport unimpressive track *records; but it is hard to* believe that the threat to hitherto invulnerable giants like Goodyear Tire and Rubber or BAT Industries, which would have been inconceivable with*out the existence of* the junk market, was wholly without merit in terms of the impact on incumbent management.

That said, it was a thoroughly distorted market. Most junk bonds were, in reality, a disguised form of equity. No matter that the so-called bond was frequently backed by a negligible cushion of equity in the balance sheet or that the interest was uncovered by present or potential income. Institutions which were otherwise debarred from holding equities could enjoy the prospect of equity-type rewards thanks to a little semantic juggling. In the case of the savings and loans associations, management was often gambling on above-average returns from junk in the knowledge that the risk was being socialised via the deposit insurance system. Above all, the bandwaggon was given excessive impetus by a tax system *which favoured debt relative to* equity.

Investment malaise

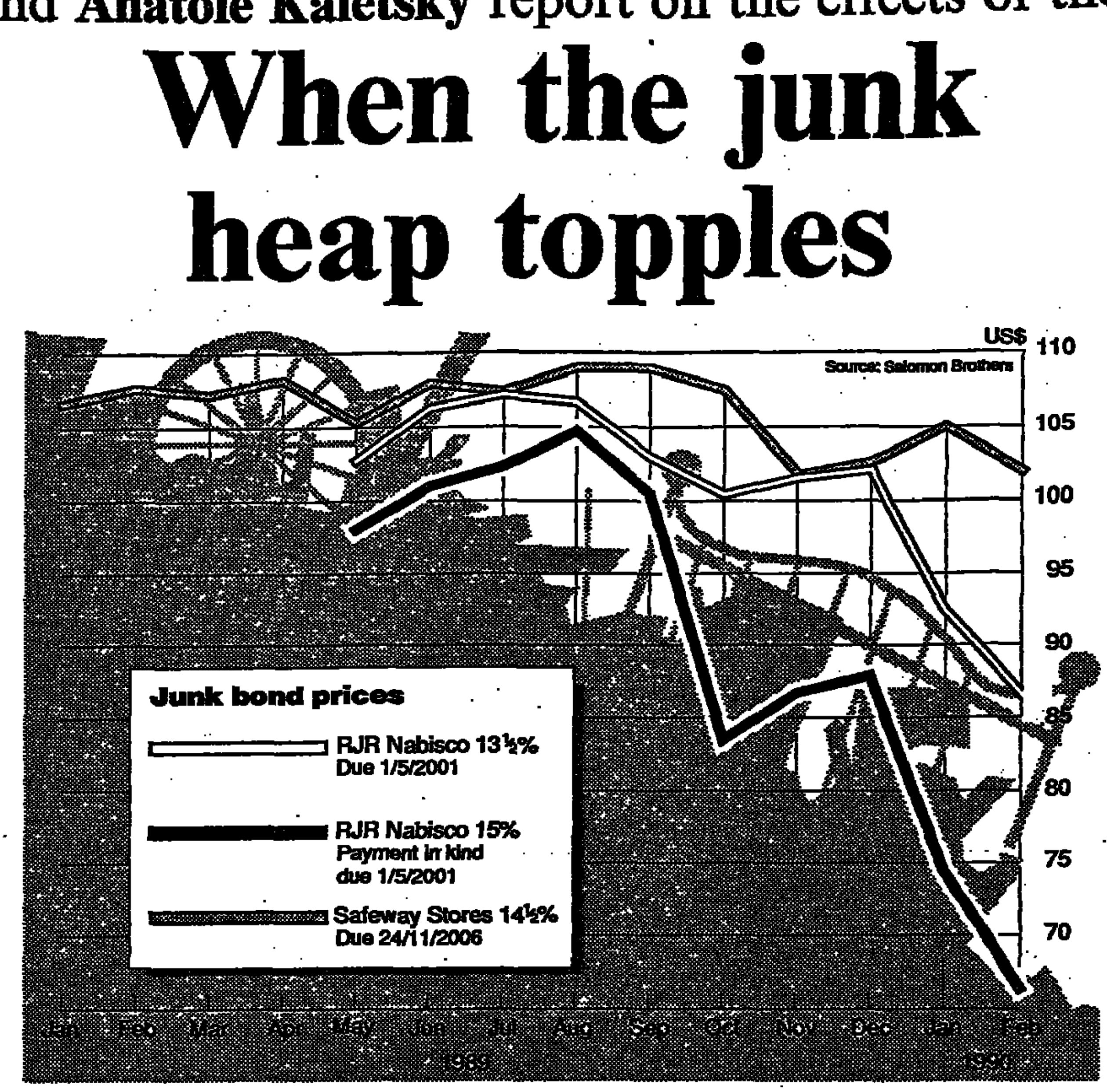
The logic in too many junk bond deals was based on the investment bankers' front end fee rather than a realistic assessment of the client's needs. And that, in the end, has been the cause of much of the malaise that now afflicts the wider investment banking fraternity. The readiness to provide bridging finance in order to facilitate highly leveraged deals has already humbled First Boston, which is backed by a substantial Swiss bank shareholder, in the shape of Credit Suisse.

Drexel, on the other hand, has a less powerful European shareholder in Groupe Bruxelles Lambert. It has paid a *massive $650m in fines, follow*ing Mr Milken's indictment on charges that followed Wall Street's insider trading scandal. And it has suffered a devastating loss of confidence in *the markets on the basis of the* decline in values and the collapse of liquidity in the junk bond market.

With so many eggs in the junk bond basket and unquantifiable contingent liabilities on the legal front, Drexel Burnham Lambert is a less than enticing morsel for potential rescuers. Dismemberment is the only option. But there is at least a certain symmetry in the spectacle of market discipline being applied to the firm that unleashed a host of raiders on the US corporate sector.

Janet Bush and Anatole Kaletsky report on the effects of the Drexel crisis

When the junk heap topples



In theory, nobody in the financial world was actually surprised by this week's crisis at Drexel Burnham Lambert. Speculation that Drexel would not be able to survive in its present form has long been common currency on Wall Street.

Yet the announcement that Drexel is considering bankruptcy proceedings will have a psychological impact far beyond the monetary losses that might be suffered by the firm's shareholders and creditors.

For, even through all its recent travails, Drexel has continued to dominate the $200bn *market for high-yield,* high-risk junk bonds which it created almost single-handedly in the early 1980s. The firm's collapse therefore sounds a symbolic death knell for the whole era of frenetic junk-bond financed deal-making which transformed the face of US industry in the last decade.

In fact, this psychological and symbolic aspect of Drexel's demise is probably more important than any immediate financial implications.

The junk bond market has lurched from crisis to crisis since last autumn, and some investors were willing to dismiss the Drexel-related sell-off of the past two days, which has taken most prices down by 5-6 per cent, as just *another* episode in the *market's* long search for a floor.

Many investors agreed yesterday that junk bond prices had reached bargain levels by almost any standards and that a substantial "bottom-fishing" rally might lie just a few days ahead.

The market's collapse began last September when junk bond investors took their first big hit on news of a credit crunch at Campeau, the Canadian real estate conglomerate which *built a US retailing empire on a* mountain of junk bonds and then could not service its debt.

There has already been a marked slow down in the number of highly-leveraged takeovers backed by high-risk, high-yield junk bonds – deals which were the hallmark of the late 1980s.

There have only been two new junk bond issues in the public market so far this year, according to Securities Data Co, compared with 18 issues in the first two months of 1989. Around 20 new issues are scheduled for this month – 15 underwritten by Drexel – but their postponement seems increasingly likely.

At its peak, the value of junk bonds *outstanding was $200bn. Estimates* now suggest that the market is worth only around $150bn, meaning that holders of speculative grade debt between them have absorbed or are still sitting on losses of $50bn.

The question now facing Wall Street is whether the junk bond market is in the throes of a crisis forced by a particular conjunction of circumstances or whether the market has ultimately proved to be fragile, illiquid and overly dependent on support from a few individuals and securities firms who built it up from scratch.

The junk bond market was the brain-child of Mr Michael Milken, the former head of bond trading at Drexel's Beverly Hills office, who was indicted two years ago on 98 counts of insider trading and securities fraud. Junk bonds offered equity-like risks and rewards to investors seeking attractive yields and became a source of capital to small, emerging companies which, Drexel argued, could not easily find credit from other lenders.

They soon became, however, the prime source of funds for the most powerful takeover artists in corporate America. Many of these raiders were in turn friends of Mr Milken's and big investors in the junk bonds issued by other members of the Milken circle.

This merry-go-round of junk bond issuers and investors, also included a number of savings and loans (S&Ls) and insurance companies, mostly based near Drexel's junk bond headquarters in Beverly Hills. Using this network, Mr Milken and Drexel were able to foster an impression of liquidity in the market. But after Mr Milken was indicted and forced to leave Drexel this liquidity turned out to be a mirage.

There is now a camp of opinion – largely populated by those who have *large junk bond holdings – which* believes that the risks of holding high-yield securities are nowhere near as large as current prices suggest and that there has been a crushing coincidence of events.

The market has been hit by two factors: some big defaults by companies burdened with high interest payments on their debt; and the government's savings and loan bail-out bill which ordered thrifts to get rid of their junk holdings by 1994.

"There were a few highly publicised defaults and the forced sales by thrifts but I do not believe that the probability of further defaults went up as much as prices suggest," said Mr Frederick Joseph, Drexel's chief executive in an *interview* two weeks ago. "I believe that high-yield bonds will be the major source of fixed rate capital to industry throughout the 1990s."

Unfortunately, even before the latest crisis at his own firm, Mr Joseph's confidence seemed exaggerated to the point of perversity. Although there doubtless are some splendid bargains to be picked up in the junk bond market's indiscriminate sell-off, history is most unlikely to justify Mr Joseph's faith in the fundamental usefulness of high-yield bonds.

In fact, the idea that junk bond investors had somehow fallen victim to an unfortunate series of temporary and unrelated accidents is a perfect example of the topsy-turvy logic common in Wall Street's bull market of the late 1980s.

The junk market has not been a victim of accidents. It has itself been an accident waiting to happen. The real surprise has not been the speed with which the market unravelled, but rather the length of time it survived.

From the start, Drexel's junk bond *approach* had several inherent flaws:

● Junk bonds appeared to offer equity-type returns, backed with the guarantees and security associated with bonds. This tempted into the market investors such as S&Ls and insurance companies, which would normally have been prevented by regulators

With Drexel and the junk bond market in disarray, the era of leveraged takeovers is probably over

*from speculating in equities. By buy*ing high-yielding junk bonds, these companies in turn were able to offer apparently more attractive opportunities to retail investors and rapidly gain market share at the expense of more prudently managed competitors. The junk bond market therefore made an important contribution to the US thrift crisis. It now threatens similar problems for some insurance companies and pension funds, with liabilities that may ultimately have to be made good by US government agencies.

● The use of junk bonds allowed leveraged buy-out (LBO) firms and corporate raiders to impose untenable capital structures on the firms they were buying or restructuring. Junk bond investors were also persuaded to accept ever more complex and exotic types of securities, which generally deferred cash *payments. Issuers were* exposed to enormous financial risks unless these securities could be redeemed or refinanced before they needed to be serviced in cash.

● Such securities and capital structures made it possible for takeover operators to pay extremely inflated prices for the companies they were buying. This stoked up the bull market on Wall Street and contributed to the general inflation of US asset values. But once these values stopped growing, companies which had relied on refinancing and asset sales were rapidly forced into default.

● All of these problems were in a way a symptom of the fundamental innovation which Mr Milken introduced into the US capital markets. Effectively, the junk bond market dispensed with the intensive credit analysis of the kind practised by banks who lend to high-risk borrowers. Instead of analysing credit, many *junk bond investors thought they* could protect their interests by offloading their bonds, if necessary, in the secondary market – an idea which turned out to be an expensive illusion in the last few months.

● Finally, the junk bond market seemed to ignore the economic cycle. Bond prospectuses usually projected constant steady, or even accelerating, revenue and profits growth out into the indefinite future, implicitly assuming that there would never be economic slowdowns or interest rate squeezes. In the words of Grant's Interest Rate Observer – the industry newsletter which has been the junk world's intellectual nemesis – they were "capitalised for prosperity."

Until the middle of last year, it was this last point that most worried Wall Street. The favourable default statistics that high-yield dealers *always* quoted were justifiably viewed with scepticism, since they were based on a continuous period of economic prosperity and generally declining interest rates.

Given that only a handful of high-yield bond issues existed before the recessions of the early 1980s, nobody could really claim to have much idea of how junk bonds might perform in harder economic times.

In fact, even Mr *Joseph often con*ceded that a recession would set the ultimate test for the stability of the junk bond market, as well as for the financial resilience of his own firm.

But what has been most surprising, as well as *disturbing, about the recent* junk bond crises is that they have occurred with no prompting from the economy at all. The US economy is still growing, albeit slowly, and interest rates are lower than they were a year ago. It scarcely bears thinking what state the junk market might now be in, if a recession were expected to hit the US economy within the next year or so.

Nevertheless, some of the die-hard optimists on Wall Street manage to find *comfort* even in this dire analysis. They suggest that the junk shake-out may actually be providential because it is flushing out many of the speculative excesses in the US financial system before a recession hits.

A year ago, with the $25bn leveraged buyout of RJR Nabisco just completed, the leverage mania on Wall Street seemed to have broken all bounds of size, risk and price. A few months later, the last geographical frontiers seemed to be overcome with the announcement of a potentially even bigger bid for BAT Industries by Sir James Goldsmith, one of the first corporate raiders to receive finance from Michael Milken.

There seemed to be no limit to how far the mania for leverage could go. Today, it is almost certain that RJR Nabisco was the high water mark. With Drexel and the junk bond market in disarray, the era of leveraged takeovers and corporate raids is prob*ably over.*

In the long run, that may be good news for the US economy and even for the stock market, where companies are once again being valued on their business prospects and profits rather than their takeover potential.

But it is probably too optimistic to suppose that the worst of the junk bond bankruptcies and defaults is already behind. Perhaps the best that can be said for the future is that a US bankruptcy does not carry the same stigma, or have the same catastrophic implications, as it does in most other countries.

In the US, it is quite possible for companies to operate and even to expand their businesses while keeping their creditors at bay through Chapter 11 bankruptcy protection. This is what about a dozen big junk bond issuers are already doing and it looks as if they will soon be joined by Drexel itself. In the next year or two *the ranks of large companies operat*ing under Chapter 11 are sure to grow.

For bond-holders, of course, a Chapter 11 filing is usually a disaster. But the economic damage from the collapse of the junk bond market will certainly be limited by the protection which bankrupts enjoy in the US. This may be the final irony of the whole junk bond saga. It was America's lackadaisical attitude to credit which spawned the junk bond market. Now the same broad-mindedness towards debtors will be the economy's main protection against the consequences of the junk bond market's collapse.

OBSERVER

Following his father

■ Dominic Lawson is taking over as Editor of The Spectator, a post once held by his father, Nigel. The appointment is not entirely a surprise, least of all to Lawson. He has been deputy editor since he left the Financial Times (where his father also once worked) in 1987 and Charles Moore, the outgoing editor, always said that he hoped that Lawson would succeed him.

Still, there could have been vicissitudes along the way. When Lawson arrived, The Spectator was owned by the Australian group, Fairfax. Conrad Black, best known for his ownership of the Daily and Sunday Telegraphs, took it over in 1988. Black also dabbled in the monthly, Encounter. Now it looks as if he is making The Spectator his intel*lectual flagship.*

Under Moore's editorship, it was a rather conservative, even churchly magazine with a reputation for good writing, even though some of the writers seemed interchangeable with those of Telegraph group.

Will it be different under Lawson? The editor-designate gives a diplomatic answer. "We have a good record of continuity in style. The paper will continue *to publish anything that* is well written. There is no need for us to have a view on everything."

Lawson adds that the paper argued strongly that Mrs *Thatcher should stay when* his father resigned as Chancellor, has taken the Thatcher line on Britain and the European Monetary System and has supported the poll tax. He *wonders whether readers could* have known which leaders were written by Moore and which by him.

There might be a difference on religion. Lawson is an agnostic. "We might have leaders rather than sermons in the editorial space at Christmas and Easter," he says. In general, his views are less paternalist than Moore's.

In fact, the whole paper should be very much sharper. Lawson is an excellent writer, and has done some fine profiles of politicians and businessmen: Michael Heseltine and Lord Hanson, for examples.

The paper made a loss of around £200,000 last year and the circulation is on a plateau of about 36,000. The forecast *for 1990 is that the loss will* come down to £50,000.

Nile sale

■ A touch of the Sotheby's auction room came to the famous old Cataracts hotel in the Nile town of Aswan this week. The occasion was a meeting of Queens, Princesses, Sheikhs and Presidents to inaugurate *an appeal for funds for the new* Alexandria Library.

Bidding was started by Prince Turk Bin Abdel Aziz of Saudi Arabia with an offer of $3m. The sum was quickly made to seem paltry by a contribution of $20m from Sheik Zayed Bin Sultan al-Nahayan, the ruler of the United Arab Emirates.

Then the telephone bidding started. President Saddam Hus*sein of Iraq called* from Baghdad to put in $21m – much to the applause of the crowd, including President Mitterrand of France, Queen Sophia of Spain and Princess Caroline *of Monaco.*

President Mubarak of Egypt presided, and showed once again his country's skill in extracting money from the international community. Mitterrand promised *French* technical assistance.

The Egyptians hope that the new library, which is to be built on the Alexandria waterfront at a cost of about $200m, will help in the regeneration of the Mediterranean town, which has been in decline for many years. The old library of Alexandria was a premier centre of scholarship in the ancient world before its destruction during the Roman period 2000 years ago.

"I can't feel a thing – it's stuck in my cheque book."

Women's week

■ Women are having a good week in Antipodean politics. On Monday Australia appointed its first woman state *premier; yesterday New Zea*land went further with the announcement, during the Queen's visit, that the next Governor General will be Dame Catherine Tizard, one *of the country's* best known and most popular politicians and the first woman to hold the post.

Dr Carmen Lawrence, takes over as the premier of Western Australia. She is 41, has a doctorate in behavioural science and was elected to the state parliament in 1986, becoming state education minister two years later. She says she intends to bring to the job attributes common to women: "A willingness to listen, a commitment to hard work, a generosity in spirit and lots of *old-fashioned* commonsense."

The attributes apply to Tizard, known throughout both islands of her country as "Dame Cath." She is 58 and has been mayor of Auckland for nearly seven years, having entered politics after teaching zoology at Auckland University.

Not only did she help to secure the recent Commonwealth Games for Auckland; she persuaded government and business to guarantee Auckland against any losses.

Her reputation for plain-speaking does not go quite as far as that of her former husband, Bob Tizard, New Zealand's Defence Minister at the time of Emperor Hirohito's death last year.

It was he who said: "Hirohito should have been shot or publicly chopped up after the Second World War. For New Zealand to express any sympathy grates against my back teeth."

Polish debt

■ Tadeusz Mazowiecki, the Polish Prime Minister who is having talks in London with Margaret Thatcher about Poland's economic problems, was surprised to find yesterday that Polish debt was a matter of concern to the City as long as six centuries ago.

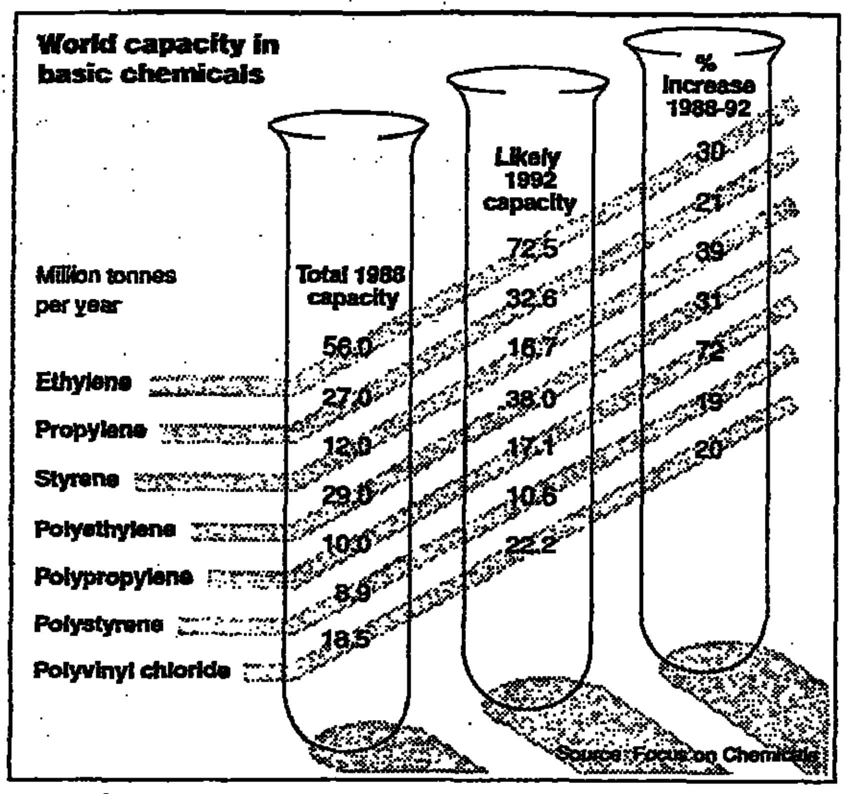
Before having lunch as the *guest of* the Lord Mayor in the Mansion House, he was shown a manuscript letter in Latin dated August 4, 1325, in which the Mayor and Commonalty of London requested Henry, Lord of Poland, Stralsund and Rostock to compel a certain John le Whit, a German who had taken refuge in his domain, to reimburse debts owed to London citizens.

Early post

■ The British Post Office is full of surprises. A friend carefully posted her Valentine cards after the last collection on Monday evening in the hope that they would arrive today. They were delivered yesterday.

Peter Marsh reports on the problems facing the specialty chemicals industry

A compound of difficulties



For the world chemical industry, the party is coming to an end. After four years of steady expansion and good profits, many chemicals companies face much tougher times in the early 1990s.

The difficulties seem especially intense for businesses which have built up over the past decade in speciality chemicals – high-value, research-intensive materials sold in low volumes and geared to specific applications in industry and consumer markets.

In the past few years, many companies in the $1,000bn-a-year chemicals sector have tried to differentiate speciality operations from high-volume, low-value commodities which are thought to have unexciting long-term growth potential, such as ethylene, sulphuric acid and chlorine.

Against expectations, commodity products saw good increases in sales and profits during the late 1980s, though prospects are starting to dim with an anticipated slowdown in economic growth in many countries.

Specialities – which include paints, agrochemicals, engineering materials and industrial chemicals such as polyurethanes – had a lot to offer the chemicals industry in the early to mid 1980s. This was due to the perception that they are linked to relatively fast moving application areas and are in fields where competition is weaker than at the commodity end of the industry.

Also, the chemicals sector had been in steep recession during the early 1980s. At the time, profits in commodity products hit rock bottom. There was a large move out of these areas and into the higher-value end of the business.

But in many cases margins in specialities have been lower than expected. One reason is that in some sectors – engineering plastics is a good example – more companies than anticipated entered the same field, bringing tougher competition. Also many businesses underestimated the high research and development (R&D) and marketing costs involved in specialities.

"A lot of companies have moved into specialities, only to find their characteristics are not much different from commodities," says Mr Rainer Dekker, a chemicals-industry analyst at Frankfurt-based Commerzbank.

Imperial Chemical Industries, Britain's biggest and the world's fourth largest chemicals group, faces particular problems from a slowdown in sales and profits in both the commodity and speciality ends of the industry. The company, which announces its results for 1989 next week, is expected to unveil a pre-tax profit only a few per cent higher than the 1988 figure of £1.47bn.

ICI has found that some of its speciality operations, including paints and industrial chemicals such as films, are not making as much money as it had hoped. It is not alone in this. A number of other large chemicals companies may well encounter problems in the next few years in their speciality activities, according to analysts. These groups could include Akzo of Holland, Bayer and Hoechst of West Germany and the US's Du Pont and Dow Chemical.

Adding to the difficulties is the fact that the industry's commodity end, – which in the past few years has expanded at an unexpected pace, largely because of healthy economies in the developed world – is heading for a downturn.

That may disturb many companies which, buoyed up by a profitable past few years, announced large investment plans in commodities. These could herald overcapacities in many big-selling materials and a decline in profits.

Mr Stuart Wamsley, a UK analyst who is publisher of Focus on Chemicals, a newsletter, says the world faces a 30 per cent increase over the next two years in production capacity for ethylene. This is one of the most important chemical building-blocks widely used in bulk plastics. Mr Wamsley envisages similar increases in other materials, including high-volume plastics such as polyethylene and polystyrene.

A study by Kline & Company, a New Jersey-based chemicals consultancy, highlights the difficulties with many speciality operations. The report shows that in the US only a few areas of speciality chemicals, for all their perceived promise, look like achieving high growth rates in the early 1990s.

Out of about 50 classes of speciality products, only five – diagnostic and electronic chemicals, industrial enzymes, elastomers and photovoltaic materials – are likely to register annual growth above 6 per cent between 1988 and 1993, says the study. "There has been a lot of disillusionment (with specialities)," says Mr Steve Daigle, a business manager at Kline.

For all this, many of the large companies in the industry are at pains not to show signs of worry. Mr Hermann Strenger, chairman of Bayer, points out that the chemicals business has grown exceptionally in the past few years. "It is difficult to see the industry continuing to expand at this rate. We (the chemicals sector) have been spoiled."

Monsanto, a big US chemicals company, spent $1.5bn during the 1980s on R&D and other investments in speciality-chemical operations linked with biotechnology, mainly in agricultural applications. At the same time, the group eased out of many commodities areas such as bulk plastics. "There are huge possibilities from biotechnology over the longer term," says Mr Earle Harbison, Monsanto's president. "Over the shorter term, we are saying that if there is a modest (economic) growth worldwide of 2 per cent, then we (Monsanto) will do OK. And we will do a lot better than many other companies that are more linked to commodity operations."

The first sure signs of a slowdown in demand in the commodity side of chemicals have come in the past year. There has been a marked reduction in prices in both the US and Europe, cutting into manufacturers' margins.

Low-density polyethylene, which was about $1,000 a tonne a year ago, is now 30 per cent cheaper in many markets. The price in Europe of ethylene was about $900 a tonne at the beginning of 1989 and is now less than half that.

With forecasters predicting further price reductions, there is a new focus in the industry on redefining product strategies in both the commodity and speciality ends of the sector and also on cutting back on costs.

ICI, for example, has in recent months announced the sale of some of its peripheral interests such as electronic chemicals. It has also ordered operating divisions to reduce spending in anticipation of tougher times ahead.

Royal Dutch/Shell, the Anglo-Dutch oil and chemicals company, is considering selling its European operations in seeds – which are regarded as a potentially lucrative speciality area for the late 1990s but involve high development costs.

DSM, the large Dutch chemicals group, has announced moves to divest its interests in polyvinyl chloride (PVC), a bulk plastic widely perceived as having low-growth prospects in the 1990s. But companies can have widely differing views of the future. Norsk Hydro, Norway's biggest chemicals company, is expanding PVC production – largely because it is a big supplier of vinyl chloride monomer, a chemical used as PVC feedstock.

Companies in the industry which have hit particular problems are the out-and-out commodity producers. Sterling Chemical, a US bulk-chemicals maker, saw net income last year fall by 50 per cent, from $213m in 1988 to $104m. Sterling says that some "exceptional events", such as a large reduction in chemicals exports to China, which for many years has been a big buyer of US chemicals, made 1989 worse than expected. "We are reasonably confident about 1990," says Mr Doug Matten, a Sterling vice president.

Mr Tom Beasley, a chemicals expert at CMAI, a Houston-based consultancy, says he is optimistic that the industry will not slide into a repeat of the recession of the early 1980s. "A lot has changed since then," he says. "Companies are less willing now to expand capacities at all costs (if demand is beginning to fall) and are better attuned to reacting to the market."

Further ahead, many see good prospects for the West's chemicals industry arising out of the political and economic changes in eastern Europe. Many basic chemicals materials, linked to consumer industries, are in short supply in the region. But the changes are unlikely to mean quick profits. "No one is going to make any money from eastern Europe for a decade," says Mr Wamsley, the UK chemicals analyst. "In the shorter term, the problems will remain."

German economic integration

Let monetary union bond East and West

By Hans-Peter Fröhlich

Many foreign observers have been amazed at Bonn's decision to offer talks to East Germany on setting up a currency union. So have many Germans. In the European context monetary union has always been seen by German officials as the final stage in a lengthy integration process. With respect to economic unification between East and West Germany this order of priorities has been reversed. Monetary union is regarded as the vehicle for economic integration.

But the analogy between European and intra-German integration is misleading. All of a sudden Germany finds itself in a historic situation. The objective is to merge two parts of a formerly divided nation. On the European level, the issue is close economic co-operation between independent nation states. Even more important, Germany is faced with an acute crisis. The old command-type structures in East Germany have been swept away without being replaced by new institutions and mechanisms. East Germans are leaving their country by the thousands each day. Morale is sagging and production is shrinking.

Under these circumstances, drastic action is required. Residents of East Germany are waiting for a signal that change for the better is on their way. Substitution of the D-mark for the East German Mark is likely to serve that purpose.

There are also economic arguments in favour of rapid monetary unification:

- Sound money is a prerequisite for growth. At present, East Germany is unable to provide a stable currency. The central bank has no experience of conducting open market operations or foreign exchange interventions. Starting from scratch to establish an infrastructure for monetary policy would imply a risky and costly detour since monetary union with West Germany is scheduled to come at the end of the process anyway.
- Sharing the D-Mark will boost badly needed capital imports to East Germany. Monetary union will remove a big obstacle by dispelling the fears of West German and foreign companies about profit repatriation or currency devaluation.
- A common currency will speed up the process of economic restructuring. It will force the East German Government to address other reform issues, ranging from freedom of trade to price liberalisation.

Monetary union is no panacea after all. The benefits will materialise only if it is part of a comprehensive reform package. Half-baked measures may well be counter-productive as the Soviet experience suggests.

What are the consequences for West Germany? Here one has to make a distinction between two types of effects. The first results from the breakdown of the East German economy after 40 years of communism. West Germany is committed, in this situation, to providing far-reaching assistance including monetary co-operation. This will undoubtedly impose a substantial burden on the country's economy and its citizens. But these costs have to be borne no matter which specific form of assistance is chosen.

The second addresses the implications of a unified German currency as opposed to other forms of monetary co-operation (for example, EMS-like exchange rate stabilisation).

Public discussion often seems to confound the two categories. Thus in many cases the alleged drawbacks of a shared currency turn out to be associated with any form of monetary stabilisation in East Germany. A good case in point is the inflation issue. While currency union is often thought to be inflationary, it may actually be the best safeguard against inflation among the various plans under consideration. The reason is that the Bundesbank in Frankfurt, with its proven low inflation record, will be in sole control of the money supply in both parts of Germany.

The initial substitution of D-Marks for East Germany's stock of currency in circulation will not be inflationary either. The operation is by no means equivalent to simply printing money and giving it away. Instead the increase in the D-Mark money supply will be matched by additional production capacity.

While little of the existing East German capital stock may live up to western standards, it will continue to produce for local demand. Residents of Dresden will not buy their bread in the West. After accounting for the expenses of daily life they may have little income left for excess consumption. Moreover, they may choose to save rather than spend their precious D-Marks, as did their compatriots in the West after 1948.

In only one case could the West German economy be exposed to a dramatic increase in aggregate demand which would translate into higher prices: if all East German liquid assets, such as saving deposits, were converted into D-Marks at once without any restrictions for withdrawal. But this problem can be overcome, for example, by temporarily freezing part of the deposits. It should be noted that such a step would be inevitable under any scheme of currency convertibility in East Germany.

Furthermore, widely held expectations of D-Mark depreciation seem largely unfounded. The external value of the D-Mark is likely to go up as German interest rates rise because of an enormous need for capital, both private and public. At the same time, foreign investors will be attracted by opportunities in the East.

The resulting capital inflow from abroad will be reflected in the decline of the German current account surplus or even a temporary deficit. In this regard, developments in Germany may bear a close similarity to the situation in the US during the early 1980s.

The picture painted here of a shared currency for East and West Germany may seem overly bright. It is not difficult for economists to come up with dozens of reasons why it will not work. But then the same was true back in 1948. The majority of people at the time were afraid of Ludwig Erhard's bold leap into the dark. Only a handful of people shared his visionary optimism. History proved them right.

The author is Senior Economist at the Institut der Deutschen Wirtschaft, Cologne.

LETTERS

Dangerous argument for productivity-related pay

From Professor Richard Layard.

Sir, John Banham, the CBI's Director-General (Letters, February 5) says productivity-related pay is an important reason for the good productivity growth of the 1980s. Unfortunately, the evidence does not support him. Between 1979-1986 productivity growth in manufacturing varied hugely between industries – doubling in man-made fibres while it was constant in brewing. If pay had been based on productivity, wages in man-made fibres would have doubled relative to those in brewing. In fact, the wage increase was identical in both industries (70 per cent). Moreover, if one compares the 54 main branches of manufacturing over that period there is no correlation between the rate of productivity growth and the rate of wage increase. (The correlation coefficient is a negligible 5 per cent).

So what has been happening? Two things. First, the huge differences in productivity growth between industries have been mainly due to technological differences and nothing whatever to do with differential work effort. For this reason they have not been reflected in wage setting, nor should they have been. Second, employers have of course rewarded workers for improved manning practices, as they should. But improvements here have been scattered across industries in a way that was unrelated to overall productivity growth.

So does this mean that all is well? Unfortunately not, for inflationary pressure has been excessive. And talk of productivity-related pay has increased this pressure.

Consider, for example, the argument (repeatedly heard) that it is all right for pay to double in an industry where productivity doubles because this will cause no increase in unit labour costs. The argument is unbelievably dangerous. For, as the evidence I have quoted shows, competition for labour will then ensure that wages rise at the same rate in the low productivity growth industries. Thus in these latter industries unit labour costs will inevitably rise. Hence average unit labour costs in the economy will rise. And so will average prices.

If, instead, we want average prices to be stable, some prices must fall while others rise. In fact roughly half of all prices must fall. So it is not good enough for high productivity growth companies to contain their unit labour costs. They must reduce them.

It is tragic that this simple piece of arithmetic is not more widely understood. Until it is, one must be quite gloomy about our chances of combating inflation without unacceptable levels of unemployment.

There could be only one argument against the simple arithmetic. That is that we do not want a competitive labour market. But that cannot be what John Banham means.

Richard Layard,
Professor of Economics,
London School of Economics and Political Science,
Houghton Street, WC2

A realistic strategy for Hungarian Airlines

From Mr Paul J. Hogan.

Sir, Paul Abrahams's report on the poor showing of the new terminal at Budapest airport ("Hungarian airline's high-flown ambitions stuck in the terminal," February 8) does not fairly reflect the strategy and abilities of this important sector which is being prepared for privatisation.

Malev Hungarian Airlines does not have delusions about providing a hub and staging post. Malev's entirely realistic strategy centres on serving Hungary's intra-European needs.

Last month the airline ordered three new 737-300s to complement its existing 737s. These aircraft, all supplied on operating lease from GPA, will commit the airline to lease payments in excess of $1.6m each month, payable in dollars. As Malev has neither sovereign immunity nor state-backed credit guarantees, I doubt that the hard-headed GPA would commit $150m of assets on a strict commercial basis to an east European airline if it did not think it a good bet.

The suggestion that traffic at Budapest airport is exceptionally low is entirely unscientific. Official ICAO figures show that Budapest airport handled 2.1m passengers in 1988. At Cologne/Bonn, serving the capital of Europe's economic superpower, the figure was only a little more, 2.3m.

The experience of your correspondent with the services at the airport has more to do with an Anglo-Saxon/Magyar clash than one between capitalism and communism. I have certainly had far worse experiences with our BAA free marketeers.

Lastly, for Mr Abrahams's benefit I called a colleague at Malev to ask him why the condom brand at the airport was called "I ♥ Robinson." He said these were South Korean, not Hungarian condoms – another sign of the times – and that the name was an improvement on the previous even more bewildering "Robinson Crusoe."

Paul J. Hogan,
Aviation Economist,
Avmark International,
26 Eccleston Square, SW1

Pigmeat futures opportunities

From Mr Tom Crane.

Sir, I fully agree with David Richardson's article ("Uphill struggle on the pig price cycle," February 6) on the wide price fluctuations and the lack of profit to the pig producer. This is made more severe by the added impediment of Monetary Compensatory Amounts which currently give an added advantage to the Danes and Dutch importing pigmeat to this country of about 7.8 pence per kilogram, and an export tax on pigmeat leaving this country of the same amount.

I wonder why Mr Richardson and other pig producers are not using the pigmeat futures market to a greater extent. Today's prices obtainable on the futures, based on cash settlement of the Average All Pigs Price for the month of trade are: April-115 pence, June-115 pence, August-113 pence, October-116 pence, November-116 pence. These are selling prices that can be locked in now which I believe can give some stability to this difficult industry.

I would like to see more of my farmer colleagues and our friends in the processing industry using this market which I believe would greatly benefit the whole pig industry.

Tom Crane,
NFU Representative,
London Meat Futures Market Committee,
Baltic Exchange Chambers,
24-28 St Mary Axe, EC3

Marx's responsibility for the faults of communism

From Mr John Willman.

Sir, The editor of Marxism Today, Martin Jacques, argues (Letters, February 6) that it is as unfair to hold Marx responsible for the communist world as it would be to hold Christ responsible for the Inquisition.

This glib assertion demands deserves closer examination.

First, there is nothing in the doctrine of Christianity which produces the excesses of the Inquisition: it is clearly an aberration. As Mr Jacques himself admits, Marx's own writings do allow the individual to be suborned to the collective in the interests of history – the intellectual roots of the gulag. (Incidentally the phrase "voluntarism based on the laws of history" to describe the appalling results of Stalinism deserves some sort of award!)

Second, Christianity does appear to have produced some beneficial results in human history, not least in the arts and advancement of learning (I say this as a non-believer). The same cannot be said of Marxism, which has produced tyranny and impoverishment wherever it has gained purchase, stifling the intellect and creativity.

To claim western social democracy as a product of Marxism, as Mr Jacques does, ignores the fact that it became western social democracy precisely because it left the Marxist tradition.

Finally, Marxism Today may attract non-Marxist writers who enjoy the frisson of writing for such an arcane title. But its analysis of current events – post-Fordism and the rest – betrays the same economic determinism and periodisation of history that is at the heart of the Marxist theory. And it is that determinism which is responsible for the political consequences of communism.

John Willman,
33 Reservoir Road, SE4

FINANCIAL TIMES
Wednesday February 14 1990

Thatcher defiant about easing sanctions on S Africa

By Philip Stephens, Political Editor, in London

MRS Margaret Thatcher, the British Prime Minister, yesterday issued a defiant defence of her decision to ease sanctions against South Africa but combined it with a formal invitation to Mr Nelson Mandela, the freed African National Congress (ANC) leader, to visit Britain.

During some of the rowdiest scenes in Parliament in recent years, she said sanctions against the Pretoria regime had achieved nothing and she offered fulsome praise of the reforms announced by President F. W. de Klerk.

Her comments came amid signs of tension between Mrs Thatcher and the Foreign Office on the stance she has taken in recent months on a range of foreign policy issues as well as on her reaction to events in South Africa.

There was also evidence of concern among Tory MPs that the Prime Minister's determined stance on sanctions, on German unification, and on the need for a cautious approach to disarmament had left her out of step with Britain's allies.

Clearly angered at taunts from the Labour Party that her views on South Africa had isolated her in the international community, Mrs Thatcher at one stage accused Mr Neil Kinnock of taking "instructions from the ANC."

A few moments later she was forced to withdraw the remark – the only occasion that MPs could remember during her 10 years as Prime Minister that she has been obliged in effect to apologise for a statement made in Parliament.

Mrs Thatcher continued to insist, however, that the armed struggle and comprehensive sanctions advocated by the ANC – and said to be supported by Labour – were hindering rather than helping the process of reform in South Africa.

Her stance prompted Mr Kinnock to call for a full-scale parliamentary debate on South Africa today in which Labour hopes to exploit the Prime Minister's lone stance on the issue.

Yesterday she announced that Mr Charles Haughey, the Irish Prime Minister and President of the European Council, had agreed that EC foreign ministers discuss next week whether there should be any joint move to lift sanctions.

There is little expectation in Whitehall, however, that Britain will secure an agreement from its partners. Mr Mandela has called for sanctions to be maintained and earlier this week President George Bush said that it would be precipitate for the US to take any action now.

Mrs Thatcher apparently sees no contradiction in her condemnation of Mr Mandela's continued support for armed struggle and the formal invitation to him for talks in London, issued yesterday.

At one stage during yesterday's parliamentary exchanges she suggested that the ANC leader's comments on violence had been "ritual" rather than substantive.

Foreign policy gamble, Page 10

Soweto salutes Mandela's triumphal return

By Patti Waldmeir and Michael Holman in Soweto

THE LARGEST political gathering ever held in South Africa yesterday saluted Mr Nelson Mandela, the African nationalist leader, on his triumphal return to his home city of Soweto after 27 years in prison.

A roar of joy went up from the crowd of more than 100,000 people when Mr Mandela entered the huge soccer stadium, packed with supporters who craned their necks for a glimpse of the man who has inspired millions in the struggle against apartheid.

Most of the crowd had never seen the upright figure who slowly circled the stadium in procession with other elderly ANC leaders who had shared his prison. Many of those who raised their fists in the traditional liberation salute had not been born when Mr Mandela went to jail.

In a measured and thoughtful speech, which received a subdued response from the crowd, Mr Mandela addressed a range of constituencies, from radical township youths to those responsible for political violence in Natal, as well as again offering reassurance to white South Africans.

The 71-year-old leader often adopted an almost headmasterly tone to address the predominantly youthful audience, stressing again and again the need for disciplined protest. He urged the students of Soweto – whose education has been severely disrupted by frequent class boycotts since the mid-1980s – to return to school. "Go back to your schools, factories, mines and communities," he said.

References to grassroots issues such as housing, inflation and unemployment raised large cheers. "Our people need proper housing, not ghettos like Soweto," he said, to a roar of applause.

Mr Mandela also addressed a South African business community deeply disturbed by his renewed commitment to a policy of nationalisation. "The ANC is just as committed to economic growth and productivity as the present employers claim to be," he said.

Nelson Mandela is welcomed by supporters at a football stadium near Soweto yesterday,

Mr Mandela urged his supporters to reach out to white South Africans, saying: "We *must convince them* by our conduct and arguments that a South Africa without apartheid would be a better home for all."

Delivering the Government's first formal response to Mr Mandela's recent pronouncements, Mr Gerrit Viljoen, the minister charged with negotiating a new constitution with blacks, welcomed Mr Mandela's references to the concerns of whites although he criticised the ANC leader for his continued support for armed struggle.

Mr Mandela also attempted to ease tensions in Natal, where more than 50 people have died in recent days, by appealing to local government leaders "to take decisive steps. . . to end the scourge on our proud history."

Natal violence; Cricket tour cut short, Page 4; Bush see political mileage, Page 8

Hong Kong police use tear gas to halt riot

By *Michael Marray* in Hong Kong

HONG KONG police fired tear gas to break up a three-hour riot at a detention camp for Vietnamese boat people last night as rival gangs fought a battle with home-made weapons. Seven people were injured.

Police reinforcements - including members of the crack tactical unit - sent in after the fighting began at about 8pm, took until 10.30 pm to bring the situation under control.

Twelve rounds of tear gas were fired during the disturbance at the *Whitehead* camp, which holds about 20,000 of Hong Kong's 56,000 boat people near Shatin in the New Territories.

Several hundred Vietnamese from rival factions originating from Haiphong and Quang Ninh province were involved. *They have a history of camp* rivalry.

Tension is running high in the closed camps and gang violence is common.

Morale sank lower in December when riot police and prison guards removed the first 51 boat people to be forcibly repatriated back to Vietnam. The UK Government has since been negotiating, so far unsuccessfully, with Hanoi for regular forcible repatriations of boat people screened and rejected as refugees, many of whom are packed into Whitehead, one of the largest purpose-built *camps*.

Strength of US car market boosts January retail sales

By Anthony Harris in Washington

US RETAIL SALES rose 1.6 per cent in January, an unexpectedly strong performance, after falling by a revised 0.2 per cent in December, the Department of Commerce announced.

This was the strongest one-month performance since October 1988. Financial market economists had projected a rise of about 1.1 per cent.

Most of the increase – and virtually all the under-estimation in the markets – reflected the strong performance of the car market, where sales recovered by 5.4 per cent from the depressed December level after the industry launched a new campaign of incentives.

There was also a strong rise in seasonally adjusted sales of building materials, reflecting the mild weather conditions in *the month.*

Rising prices, on the other hand, were the main reason for strong petrol and service station sales, up 2.5 per cent over December and just under 7 per cent over the past three months.

These pressures on income may help to explain a weak performance in discretionary items, with clothing sales down 0.7 per cent, and spending on eating and drinking up only by a 0.2 per cent monthly average over the last three months, though well up from the depressed December figure.

Consumer spending is the principal engine for growth in the US economy, accounting for about two-thirds of Gross *National Product that measures* total economic activity. But consumer incomes are coming under pressure.

Last Friday, the Labor Department reported the January Producer Price Index rose a steep 1.8 per cent as cold weather in December sent food and energy prices soaring at the wholesale level.

Economists have cautioned that higher food and energy price rises may squeeze consumer buying power, forcing retailers who want to boost sales to continue price discounting even if that cuts corporate profits.

Soviet troops attempt to quell riots

Continued from Page 1

day began attacking all non-Tadzhik minority groups, who make up 40 per cent of the republic's 5m citizens. Some reports said mobs roamed the streets chanting anti-Armenian and anti-Russian slogans and "beating up all European-looking people."

Western diplomats said that rumours of privileged treatment for Armenian refugees had provided the spark for unrest which has been brewing for a year over the region's acute economic problems. "It was just the fat on the fire," one said.

Tadzhikistan and Kirghizia are among the poorest Soviet republics, suffering acute *shortages of housing,* food and consumer goods. Unemployment in the area is also higher than the Soviet average, with 250,000 estimated officially to be out of work in Tadzhikistan alone.

The Communist Party leaders in Dushanbe called an *emergency meeting last night* after protesters issued a five-point ultimatum, including demands for the sacking of all the republic's party and state officials and the return of all proceeds from cotton grown in the republic.

Although neither republic has a *popular political movement*, such as has emerged in Ukraine, the Baltics, Azerbaijan and other republics, both have seen a strong recent emergence of nationalist feeling.

In Tadzhikistan, opposition groups have rallied behind the Writers' Union and the Tadzhik Language Fund, both of which campaigned successfully last year for the Tadzhik language (which is close to Persian) to become the republic's official tongue.

The republics are also predominantly Sunni Moslem, although analysts suggest that the recent revival of the religion is linked more to a revived sense of national heritage than to an upsurge in fundamentalism.

There *is also a history of tension* between Tadzhikistan and Kirghizia, which has tended to flare over largely economic disagreements.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	17	63	Dubrovnik	F	13	55	Malta	F	15	59	Rhodes	S	15	59
Algiers	F	17	63	Edinburgh	F	8	46	Manchester	C	9	48	Rio de J'o	–	–	–
Amsterdam	S	10	50	Faro	S	18	64	Manila	–	–	–	Rome	C	9	48
Athens	S	12	54	Florence	S	12	54	Melbourne	S	20	68	Salzburg	C	7	45
Bahrain	S	18	64	Frankfurt	F	7	45	Mexico City	–	–	–	San Francisco	S	9	48
Bangkok	–	–	–	Funchal	S	18	64	Miami	S	21	70	Seoul	F	4	39
Barcelona	C	12	54	Geneva	S	9	48	Milan	S	7	45	Singapore	R	30	86
Beirut	–	–	–	Gibraltar	S	17	63	Montreal	–	–	–	Stockholm	S	3	37
Belfast	F	8	46	Glasgow	C	8	46	Moscow	C	6	41	Strasbourg	F	8	46
Belgrade	C	11	52	Guernsey	S	10	50	Munich	F	7	45	Sydney	S	22	72
Berlin	C	7	45	Helsinki	S	2	36	Nairobi	–	–	–	Taipei	–	–	–
Biarritz	S	15	59	H. Kong	F	21	70	Naples	C	13	55	Tangier	S	18	64
Bombay	F	29	84	Innsbruck	F	8	46	Nassau	–	–	–	Tel Aviv	C	11	52
Bordeaux	S	12	54	Inverness	R	6	43	New Delhi	R	17	63	Tenerife	S	21	70
Brussels	S	9	48	Islamabad	–	–	–	New York	S	6	43	Tokyo	S	11	52
Budapest	F	9	48	Istanbul	C	6	43	Nice	S	16	61	Toronto	R	9	48
B. Aires	–	–	–	Jakarta	–	–	–	Nicosia	S	16	61	Tunis	C	17	63
Cairo	S	21	70	Jersey	F	10	50	Oporto	C	15	59	Valencia	S	19	66
Cape Town	S	27	81	Jo'burg	F	19	66	Oslo	S	7	45	Venice	F	7	45
Caracas	–	–	–	Lima	–	–	–	Paris	S	10	50	Vienna	C	8	46
Casablanca	F	16	61	Lisbon	Fg	12	54	Peking	Sn	2	36	Warsaw	C	6	43
Chicago	C	3	37	London	C	11	52	Prague	C	5	41	Washington	S	9	48
Cologne	C	8	46	Los Angeles	S	9	48	Reykjavik	Sn	-1	30	Zurich	S	7	45
Copenhagen	–	–	–	Luxembourg	C	4	39								
Corfu	F	13	55	Madrid	C	10	50								
Dallas	C	18	65	Majorca	F	17	63								
Dublin	F	10	50	Malaga	S	18	64								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Moscow plans joint venture 'Tecnopark'

By John Wyles in Rome

MOSCOW'S first "Tecnopark" development of offices, residential accommodation, a hotel and laboratories for the commercial development of Soviet technology is to be built and operated by a joint venture involving three Italian companies.

The full development, estimated to cost about L650bn ($523m), is expected to cover 250,000 sq metres and is aimed at foreign companies anxious to open up in Moscow.

The Soviet Government will own 80 per cent of the joint venture and its capital commitment will be provided from land already set aside for the property development.

The main Italian shareholder will be Grassetto Costruzioni, part of the group of companies of the Sicilian constructor, Mr Salvatore Ligresti.

Small minority stakes will be taken by Ismes, the research company owned by Enel, the Italian state electricity producer, and IriTech, the Iri's group's venture capital company. The project will be financed by western banks.

Mr Duccio Valori, IriTech's managing director, said yesterday that the non-property objective of the joint venture was to provide a meeting place between western companies and Soviet technology.

The plan is to provide the physical and scientific framework for developing prototypes based on Soviet technology which would be commercially exploitable in the west. Precisely what is not yet clear, but a number of inventions are under consideration.

Rents of the residential and *office facilities will be paid in* hard currency. The "Tecnopark" will also be equipped with a conference centre and lecture halls, and the aim is to provide telecommunications of an international standard.

The Soviet-Italian project aims to put flesh on an initiative launched by Iri last autumn when Soviet scientists presented inventions and proposals for commercial developments to western companies at a seminar in Genoa.

Drexel considers filing

Continued from Page 1

London is the manager of a secret equity stake in Drexel. A Drexel official, who asked not to be named, confirmed that the Brussels-based Groupe Lambert, which nominally *owns 46 per cent of Drexel, had previously* sold a part of that holding to the Kuwaitis.

The Belgian stock market fell sharply as Groupe Lambert's share price plunged. The company said it intended to engage in an orderly liquidation of securities positions held by its primary government bond dealer. The US Federal Reserve said yesterday Drexel was still designated a primary dealer. The Treasury bond market was quoted higher at midsession yesterday amid reports that the Fed was in the market buying Treasury bonds from Drexel.

THE LEX COLUMN

The issues Drexel leaves behind

It is too early to judge where Drexel Burnham's liquidity crisis ranks in the history of US financial disasters, but it would be wrong to underestimate its significance. True, Drexel is important in only one market niche. The liquidation of its US government securities positions or its suspension of market making in Nasdaq stocks is not going to damage the liquidity of these markets. Similarly, the sums of money at immediate risk do not compare with what was at stake in the run on Continental Illinois or even some of the big Texas banks.

Nevertheless, the equity markets' initial muted reaction to Drexel's difficulties is surprising. It may be that the problems have been discounted. But that would be assuming a *remarkable* prescience on the markets' behalf. For a start, it is most unusual for a major Wall Street firm to have to be rescued; and it is far from clear how far the ripples of the Drexel affair extend.

It has to be assumed that the authorities would not permit Drexel's problems to lead to any hiccups in Wall Street's payments and settlements systems. However, Drexel's problems confirm that the market for new US junk bond issues is dead. This will make it far harder for highly leveraged companies to refinance themselves and means that the leveraged bids which helped fuel the market's rise in 1988/89 are a thing of the past. If companies start replacing their junk with equity it will be no bad thing. But distress equity offerings will not help the market's confidence either.

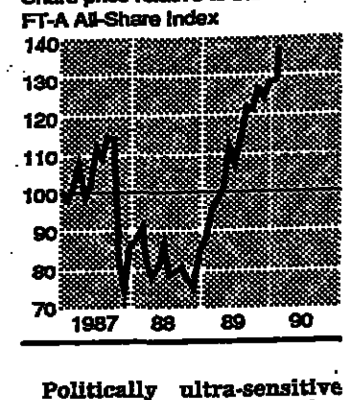
Germany

It starts to look as if the West German debt market's real bogeyman is not currency union so much as anxiety about what comes after this year's two elections. If so, it would be wise not to put too much faith in yesterday's combination of a pause in the slump in German bond prices, albeit at yields of 8.5 per cent, *and an uptick in UK gilts.*

If the international bond markets like the signs that Mr Kohl and Mr Modrow are getting the process of monetary union under control, they may have missed the point: namely, international implications by 1991 of a free-spending, possi*bly SPD-run* Germany with interest rates maybe 200 basis points higher than they are now and the D-Mark under threat.

Reuters

Share price relative to the FT-A All-Share Index



Politically ultra-sensitive though it is, currency union *could be a red herring.* If the Ostmark were converted at say 3 to the D-Mark, German money supply could grow 10 per cent this year; *the highest* rate for a decade, but not beyond the Bundesbank's powers of containment, and possibly a short-term phenomenon. *The real worry would be the* likelihood of much higher levels of German public spending, maybe an extra DM125bn annually, not to mention the possibility of the Bundesbank losing some authority.

Hence the importance of the German elections. If it looks as though the first chancellor of a united Germany could be the SPD's Mr Lafontaine, the markets will have something new to worry about unless they can somehow decouple themselves from Germany's destiny.

John Mowlem

What with the long wait for profits at the City airport and the contractors' problems at Eurotunnel, it must be doubtful whether the expected infrastructure boom of the 1990s will inspire quite so much direct private sector investment. The gains to government from infrastructure spending, in terms of economic efficiency and enhanced tax revenues, may be hard to calculate. But such problems are nothing compared with the risks to companies of projects with open-ended costs and more than normally uncertain revenues.

In Mowlem's case, the City airport has turned from an exciting corporate venture into a millstone round its neck. The group's shares have declined by 20 per cent relative to its *sector since December 1987,* shortly after the airport opened. So yesterday's £33m write-offs, which allow for some £7m of future operating losses, seem aimed at drawing investors' attention to the rest of the business. A favourable public inquiry on the airport's runway extension could then be seen as pure bonus.

Reuters

The sheer strength of Reuters' profits performance must be rather galling to the hard-pressed financial institutions who pay its bills. In the two years *since* the stock market crash its earnings have grown at an average rate of 29.5 per cent. Wall Street has always been far more enthusiastic about Reuters than London, and so far this faith has been amply rewarded. A 44 per cent rise in the 1989 dividend is a *remarkably confident gesture; if it* can continue to grow its earnings by over 20 per cent per annum it deserves its current *multiple of* 19.

The 18 per cent rise in 1989 revenues is only half the rate of the early 1980s. But as long as Reuters can continue to *squeeze its cost base as it did* last year its margins will continue to rise; and cash is building up. Of course, someone could mount an effective challenge to its near-monopoly or it might squander its cash on a silly acquisition. For the moment, neither seems much of a risk.

ECC

Yesterday's profits warning from English China Clays is a reminder of the risks posed by the forthcoming results season. The shares had underperformed the market by a third in the past 15 months: but the prospect of reduced earnings this year knocked off seven per cent more.

It is hard not to share the market's irritation with a company whose newspaper ads yesterday morning proclaimed "we've never been in better shape". It is no surprise that housebuilding should be struggling: Bryant, ECC's 29.9 per cent associate, produced halved interim profits yesterday. But it appears the company's expectations for the *clay business – still half of* profits – have gone in two months from three per cent volume growth to zero. More generally, ECC still gives the impression of complacency, blessed with cash flow from old-style market dominance and short of ideas on what to do with it. Rather like BAT, in fact: but from a predatory viewpoint the shares are still not cheap, on a prospective multiple of 11 at 386p.

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INSIDE

Foundations of bond market undermined

The crumbling of the Berlin Wall has undermined the foundations of another edifice, the West German bond market. Since the collapse of the Wall, prices have been in almost continuous retreat; the yields on 10-year West German government bonds have risen from about 7.2 per cent to over 8.5 per cent. The implications of this extraordinary downgrading of the D-Mark bond market are likely to be felt throughout western Europe, report Stephen Fidler and Simon Holberton. Page 25

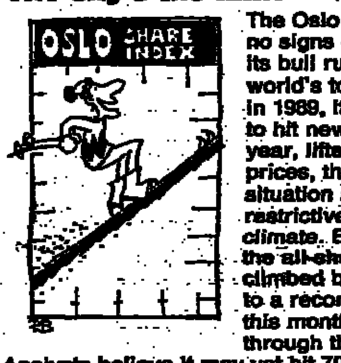
Preparing for a chance landing

Mowlem, the UK construction group, is taking no chances in its bid to develop the full profitability of London City Airport, of which it holds 90 per cent. The group yesterday made an exceptional provision of £33m ($55.7m) in its 1989 accounts to offset delays in its plans for the airport. The move follows a government decision to order a public inquiry into an extension for the airport runway. Page 28

Clash of Gallic wills

France's bank card consortium, fresh from a fierce row with its domestic competition authorities last year, is heading for a new argument with American Express, the US financial services group. The Groupement des Cartes Bancaires has refused to authorise American Express' outline agreement with Société Générale, the fourth-largest French retail bank, to allow each partner's cardholders reciprocal access to the other group's cash machines. Page 23

The sky's the limit



The Oslo bourse shows no signs of abandoning its bull run. One of the world's top performers in 1989, it has continued to hit new highs this year, lifted by higher oil prices, the domestic tax situation and a less restrictive investment climate. By January 11 the all-share index had climbed by 7.7 per cent to a record 573.68 and this month it pushed through the 600 barrier. Analysts believe it may yet hit 700, writes Karen Fossli. Page 42

The better way to start your day

Mr Hayden Bradshaw of Nestlé knows a good cup of coffee when he's given one. As chief taster for the company, which has 50 per cent of the UK's instant coffee market, he supervises a team of four in sampling all the product coming into the country for Nestlé. Consumers now prefer top-quality arabica varieties to the coarser robustas, reports David Blackwell. Page 30

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Sud-Chemie	700	+	25
Falls			
Didier-Werke	235	–	12.5
Karstadt	655	–	15
Porsche	950	–	10
Siemens	755	–	7
Varta	404	–	8

NEW YORK ($)

Rises			
Gen Motors	43½	+	⅛
IBM	103¾	+	1⅞
LA Gear	25⅝	+	⅞
Falls			
Chrysler	16½	–	⅛
Mattel	18¾	–	¾
Merck	71¼	–	⅞

PARIS (FFr)

Falls			
Beghin-Say	725	–	41.5
SIP	370	–	55.6
Fives Lille	398	–	24.4
Geophysique	1210	–	78.5
Pechin Intl.	146	–	7.9
Thomson S.A.	1181	–	84.2

TOKYO (Yen)

Rises			
Marantz Japan	1480	+	200
Nippon Lace	1200	+	160
Teikoku Piston	1510	+	200
Tokyo Cosmos	1740	+	200
Falls			
Dai-ichi Hotel	2440	–	200
Towa Sankiden	2510	–	200

LONDON (Pence)

Rises			
BAA	372½	+	5½
Bass	978	+	20
British Gas	229	+	6½
Crossroads Oil	50	+	4
Guinness	645	+	12
Rossheugh	369	+	5
Stratchley	388	+	4
Welsh Water	186	+	8
Yorkshire Water	180	+	6
Falls			
BET	237	–	3
Berisford Intl.	128	–	7
Hunterprint	102	–	1
RHM	417	–	6
Utd Biscuits	330	–	4
Wolv. & Dudley	404	–	9

Fourth-quarter loss at Chrysler

By Roderick Oram in New York

CHRYSLER, the third largest Detroit car maker, has reported a $664m fourth-quarter loss, its first quarterly deficit since 1982. For the full year, profits were much lower than analysts had forecast.

The company, which is struggling with poor markets and high restructuring costs, has an urgent need for cash to invest in its core automotive business. This was underscored yesterday when it announced the sale of Gulfstream, a maker of executive jets, for $825m. The purchaser is Forstmann Little, a New York buy-out firm, working with Mr Allen Paulson, Gulfstream's chairman.

Commenting on the results, Mr Lee Iacocca, Chrysler's normally ebullient chairman who pulled the car company back from the brink of bankruptcy at the beginning of the decade said: "I'm not going to speculate" whether Chrysler will be profitable in the current quarter.

He said January had been a difficult month because of high rebates to try to stimulate demand for cars and temporary plant closings to bring inventories down to more normal levels. He said he expected Chrysler to be profitable for the current 12 months, thanks in part to restructuring steps taken last year. Chrysler reported a fourth quarter after-tax loss of $664m, or $2.90 a share, after a $577m, or $2.48 a share, restructuring charge. A year earlier it earned net profits of $433m, or $1.85 a share. The charge included the cost of closing a St Louis assembly plant, dropping certain car models, writing off some long-term assets and cutting its white-collar workforce.

Continuing operations ran up a loss of $667m in the fourth quarter after the charge. This compares with profits of $415m a year earlier. For the full year, profits from operations were $315m, against $1bn.

Full-year net profits were $359m, or $1.55 a share, including a third-quarter after-tax gain of $309m, or $1.33, from Chrysler's sale of some of its stake in Mitsubishi Motors of Japan.

Sales fell sharply in the fourth quarter from $9.29bn to $7.93bn. They edged ahead for the full year to $34.92bn ($34.15bn). During the 12 months, factory shipments of cars and trucks, fell 7.2 per cent from 2.57m to 2.38m.

Gulfstream sale, Page 22

Allen Paulson of Gulfstream

NatWest sells Blue Arrow stake at £53m loss

By Richard Waters in London

NATWEST Investment Bank yesterday announced it had found a buyer for its 9.16 per cent stake in Blue Arrow, the employment group. The price will result in a net loss of £53.3m ($90.6m) on the stake it has held since the company's disastrous rights issue two and a half years ago.

The bank, together with six of its former executives and five other City figures, faces criminal charges over its involvement in hiding the failure of the £837m issue from the market.

The sale of the 66.6m shares, to an unnamed US institutional investor, for $96.57m is due to be completed today. This is roughly 86p a share, compared with the 166p rights issue price at which the bank acquired its stake – hence the £53.3m loss.

The true cost of the Blue Arrow affair is considerably higher than this. County NatWest, the NWIB subsidiary involved in the deal, paid £30m to UBS Phillips & Drew at the end of 1987 under an indemnity arrangement by which P&D took on a block of Blue Arrow shares. On top of this £83.3m are the costs of holding the Blue Arrow shares for such a long period and the damage done to the bank's business by the affair.

This dismal picture is softened partly by two things: the bank hedged its Blue Arrow holding by buying FTSE 100 Index put options, which were showing a profit of £19m at the end of 1987. It also made £11.5m out of advising Blue Arrow on its rights issue. NatWest has already provided against most of the £53.3m loss. However, the sale price is about 10p lower than the market price at the end of the bank's last half-year, when it reported a £6m profit on the Blue Arrow holding. This suggests that it will now need to report a further £6.6m loss.

Neither County nor Blue Arrow would disclose the identity of the purchaser. It is understood to be friendly to Blue Arrow, since the company has agreed to apply for registration of the shares in the US (something only it is able to do).

County will meet the cost of registration, along with ½ per cent stamp duty on the proceeds of the sale.

Mr Mitchell Fromstein, Blue Arrow chairman, said the company had been made aware of the sale, although there was no question of its approval being sought.

UBS also faces criminal charges over Blue Arrow.

English China warns on profits

By Clare Pearson in London

LORD Chilver, chairman of English China Clays, one of the world's largest suppliers of minerals to the paper industry, yesterday warned that worsening international economic conditions as well as higher UK interest rates were severely affecting the company's overall performance.

Shares in ECC tumbled 28p to 386p yesterday in dismay at Lord Chilver's statement, one of the gloomiest assessments of the current trading outlook to have been issued by a leading company in recent months.

ECC's fortunes are predominantly linked with those of the paper industry through its position as a supplier of china clay and, to a lesser extent, calcium carbonate, used for paper coating. It is also involved in quarrying and construction.

"While we expected that group profits for the six months to March 31 would be below the good result for the equivalent period [in] 1989, market factors... are making the current six months a much more difficult period than originally anticipated," he said.

Lord Chilver was pessimistic, too, about the outlook for the full year. "The results for the 12 months to September 30, 1990 will be adversely affected by market conditions, especially continuing high interest rates," he said. Record earnings per share of 44.91p for the last full-year would be a "challenging target."

London analysts, in reaction to the statement, promptly reduced profits forecasts for the full year from about £160m ($270m) to as little as £135m. This compares with £151m in the financial year to September 1989.

Lord Chilver told shareholders at the annual meeting yesterday that an expected modest increase in demand for industrial minerals, for which ECC had prepared itself, had failed to materialise during the last three months of calendar 1989.

During the quarter, ECC's sales ran at about the same level as the comparable period, producing "satisfactory" profitability given the market background.

A general weakening in demand in UK-based construction operations – exacerbated by delays in a big road-building programme – affected both concrete products and quarrying.

Lord Chilver's statement came on the day the company had placed a newspaper advertisement bearing the slogan: "We've never been in better shape."

Lex, Page 20

Record 31% profits rise

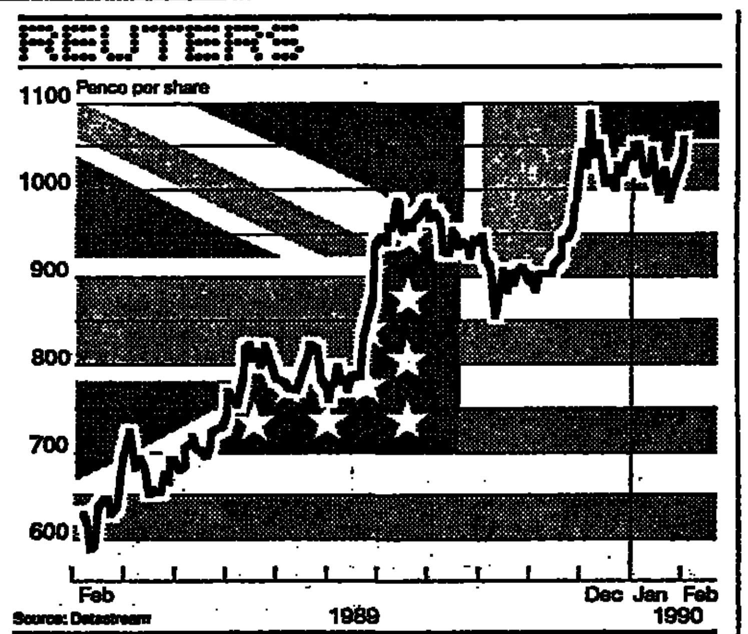
REUTERS yesterday reported a record 31.4 per cent increase in pre-tax profits in the year to December 31, writes Andrew Bolger.

Revenue increased by 18.3 per cent to £1.187bn ($2.018bn) and earnings per share rose by 36.1 per cent to 43.6p.

Mr Glen Renfrew, managing director and chief executive, said the increase reflected record operating margins and a sharp rise in interest income, backed by continued revenue growth in core products.

Foreign exchange business continued to prosper and equities markets were generally less nervous than in 1988, Mr Renfrew said.

Full report, Page 26; Lex, Page 20



Reuters seen as good news on Wall Street

Andrew Bolger on US interest in the company's shares

Ownership of Reuters, the world's largest financial information and news company, seems poised to cross the Atlantic.

There is no takeover threat to the London-based organisation. A founder's share guarantees that "Reuters shall at no time pass into the hands of any interest, group or faction," and no individual or group can own more than 15 per cent of the equity.

It is just that Reuters, which prides itself on the instantaneous transmission of economic data round the world, seems to have found a readier audience for news of its own financial performance on Wall Street than in the City of London, which is only a short stroll from the group's Fleet Street headquarters.

Shares in Reuters closed at 1040p yesterday, after it reported a 31.4 per cent increase in pre-tax profits for the year to December 31, 1989. The share price compares with 596p a year ago, an increase of 44 per cent. It has been buoyed in the last year by the continuing demand from US investors for Reuters shares in the form of American Depositary Receipts. The company says that 45.9 per cent of its equity is now in ADRs and it has identified US interests in London-quoted shares representing 1.8 per cent of its capital.

Analysts estimate that recently 1 per cent of Reuters equity has been moving into ADRs every month, so it may only be a matter of weeks before one of the most successful British companies of the 1980s has the bulk of its shares on Wall Street.

Reuters is taking a very relaxed view of the trend. A spokesman for the company said: "We regard ourselves as an international company – not British, not US. By the nature of our business we must be so. More than 60 per cent of our staff is overseas."

He conceded that cultural factors may have been at work: "Any price/earning ratio over 20 is a bit high for the British. The Americans are more interested in growth. British fund managers tend to be more pessimistic – they are more interested in what can go wrong than what can go right."

Mr Neil Barton, an analyst with Merrill Lynch in London, is more critical of the City, contrasting the short-term outlook of the London fund managers with their US counterparts, who are more prepared to take a five-year view. He said: "If they don't take note British institutions will see control crossing the Atlantic."

However, the fundamental reason for the growing US enthusiasm for Reuters seems to be that, unlike the British investor, Wall Street has a sector into which it can place Reuters – and the comparison has done the British company no harm at all.

Since its flotation in 1984, Reuters has seen its pre-tax profits grow from £74m ($119m), on turnover of £313m, to yesterday's reported pre-tax profits of £283m, on turnover of £1.87bn.

Reuters shares have traditionally been highly rated on the London market. However, the company has always been seen as one of a kind and there have been periodic doubts about its capacity to maintain growth as the electronic market place covers the globe and in the face of stock market crashes and uncertainties.

The picture was also confused by Reuters' complicated structure of unlisted "A" and tradeable "B" shares, which was resolved only last year by allowing an orderly conversion of "A" shares into a single class of new ordinary shares. The threat that "A" shareholders would suddenly dump large numbers of shares on to the market had long overshadowed the share price.

Viewed from the other side of the Atlantic, Reuters is not such a strange fish. American investors compared it with information companies such as Dow Jones, McGraw Hill and Dun & Brad Street. At the end of 1988, they all sat on higher p/e ratios than Reuters, even though most analysts agree that they are not so well managed.

Last year saw net income at Dow Jones fall 4.6 per cent, without non-recurring gains from sales of investments. The company blamed weak financial advertising at The Wall Street Journal and Barron's Magazine, as well as start-up costs associated with its foreign-exchange trading service at Telerate, which became fully-owned by Dow Jones on January 3.

At McGraw Hill, net profits declined by 74.2 per cent last year. In December the publishing and information group announced 1,000 redundancies, shut down its General Books division and made writedowns at its Data Services economic forecasting division.

No doubt the London analysts who considered Reuters shares overpriced last year will be even more sceptical of its ability to continue to increase pre-tax profits and earnings at more than 20 per cent a year. They are likely to point to the possible maturity of the market and fears that cheaper technology will challenge Reuters' dominant position.

However, any company that has already linked both Albania and Outer Mongolia to its global trading network must feel bullish about prospects as economic liberalisation sweeps eastern Europe and the Soviet Union. Indeed, it has equipped an 80-screen dealing room in Moscow in the last year.

Reuters is if anything more confident about the outlook in the Far East and Pacific Rim. Morgan Stanley has recently started trading foreign currencies in Tokyo and newly-industrialised countries such as Korea offer the juiciest prospects of all.

Given such a commitment to overseas investors, Reuters can scarcely object to recent trends in its equity ownership, although a company spokesman noted that there had been "signs of renewed UK institutional interest in the last few weeks."

It would be ironic if the company, a British success story which has come to embody the globalisation of world equities, was to enter the 1990s by bidding farewell to control by London-registered investors.

But it would not be a matter for concern – at least as far as Reuters is concerned. The company said: "We would just like a broad-based shareholding which reflects our customer base. We are interested in obtaining a share listing in Tokyo and would also like a broader share base in Europe."

Integrated Resources files for Chapter 11

By Roderick Oram in New York

INTEGRATED Resources, the floundering financial services group whose rapid growth had been funded by a flimsy capital structure created by Drexel Burnham Lambert, the securities house, filed for protection of the US bankruptcy courts yesterday.

Its long-expected request for Chapter 11 status was triggered by the refusal of some of its creditors to participate in a debt restructuring. Its liabilities are some $1.6bn, well in excess of its assets which it values at around $700m.

Integrated owes Drexel $41.1m, mainly for some commercial paper Drexel was unable to sell to investors last June, a failure that precipitated the markets' loss of faith in Integrated.

Other larger Integrated creditors listed in court yesterday included Manufacturers Hanover Trust ($55.8m), Chemical Banking ($51.6m) and Honkgkong Shanghai Banking ($45m).

"We are disappointed by the fact that a few recalcitrant creditors could derail Integrated's debt renegotiation and necessitate the bankruptcy filing", Mr Weinroth said.

In particular, First Fidelity Bank of New Jersey has recently won a court judgment against it.

Under court protection Integrated hopes to pursue a reorganisation plan it put to creditors three weeks ago.

"I don't want to say liquidation," Mr Weinroth said, but he admitted that only a few operations would be left once Integrated had finished selling off the bulk of its businesses.

Integrated's original business was promoting property tax shelters, but changes in tax laws in the mid-1980s forced it to diversify.

Integrated Resources built up a network of independent financial planners and consultants to sell a variety of products from life insurance to money management services.

At its height the network numbered 4,500 people, ranking it sixth in the US after big brokerage houses such as Merrill Lynch.

It grew rapidly with debt financing raised by Drexel. But many of the products it sold were going to generate only long-term profits for the company. It frequently booked them as current receivables.

INTERNATIONAL COMPANIES AND FINANCE

Buyer shuns junk bonds in $825m Gulfstream deal

By Roderick Oram in New York

CHRYSLER has sold Gulfstream Aerospace, the US maker of executive jets, for $825m to Forstmann Little, a New York buy-out specialist, and Mr Allen Paulson, Gulfstream's chief executive.

No junk bond financing is involved in the deal, which is the first large US buy-out since last autumn. Takeover activity has been severely curtailed since then by turmoil in the junk bond market caused by Drexel Burnham Lambert's financial difficulties and other factors.

Mr Ted Forstmann, a general partner of the buy-out firm and a harsh critic of junk bonds, said half the money for the Gulfstream acquisition would come from subordinated debt and equity put up by his firm and Mr Paulson. The rest would be bank financing to be arranged by Manufacturers Hanover Trust.

Forstmann Little has a subordinated debt fund of about $2bn underwritten by some 18 institutions, most of them among the largest US corporate pension funds.

Unburdened by high interest payments on junk bonds, Gulfstream would be able to invest in further development of its Gulfstream IV aircraft and other projects, Mr Paulson said. It is, for example, working with Sukhoi of the Soviet Union on designs for a supersonic business jet.

Chrysler said it would use the proceeds from the sale for general corporate purposes. The third largest Detroit car maker is investing heavily in new car models and suffering from weakening sales.

In December Chrysler had put up for sale its Chrysler Technologies subsidiary, comprising Gulfstream and two other businesses, because of the financial need to concentrate on its car activities.

It said yesterday it was still seeking buyers for the other businesses, Electrospace Systems, an electronics maker, and Airborne Systems, a specialised aerospace subcontractor. Chrysler had paid $637m for Gulfstream in 1985, and $370m for Electrospace in 1987. Airborne was a Chrysler start-up.

Mr Paulson, now aged 67, bought the fledgling Gulfstream company from Grumman, the US aerospace group, in 1978. It has grown rapidly since then to become a leading maker of executive jets. Based in Savannah, Georgia, the company employs 5,500 workers.

The company's pre-tax profit was about $120m last year on revenues said to be just above $1bn compared with $490m four years earlier.

Production of Gulfstream IV aircraft is running at about 30 a year and the company has a six-month backlog of orders.

Present output is in line with the average for the past 10 years although it climbed to the mid-30s per year with the first deliveries of the Gulfstream IV in 1987.

Chrysler results, Page 38

Japanese agency eyes stake in US Omnicom

By Alice Rawsthorn in Tokyo

ASATSU, one of the largest Japanese advertising agencies, is seeking a significant minority shareholding in Omnicom, the US marketing group that owns BBDO, the international advertising agency.

Several Japanese advertising agencies have announced plans to gear up their international expansion. A move by Asatsu would represent the first time that a Japanese agency had acquired a substantial stake in a western counterpart.

Asatsu, the only publicly quoted Japanese advertising agency, has had a trading agreement with BBDO since 1984. The two agencies then negotiated a cross-shareholding arrangement, whereby BBDO took a 10 per cent stake in the Japanese company and Asatsu had a small holding in the US agency.

Two years ago BBDO merged with two other US agencies - Doyle Dane and Bernbach, and Needham and Harper - to form Omnicom, now the world's fifth largest marketing services group. Asatsu emerged with 1.5 per cent of Omnicom.

It has held on to its stake but Omnicom has continued the process begun by BBDO of selling its shares in Asatsu. Omnicom is believed to have sold the last of its Asatsu shares last autumn.

Mr Masao Inagaki, Asatsu president, said it wanted to increase its holding in Omnicom to strengthen the relationship with BBDO. He would not specify how large a stake Asatsu intended to take, but he stressed that it did not intend to acquire a controlling interest, nor did it envisage exercising managerial control.

The advertising industry, he said, was a business based on "people and social structures." It would not be appropriate for a Japanese company to take over a US agency.

Asatsu and Omnicom are understood to have talked about the issue six months ago, and the Japanese side hopes for an outcome by early summer. Asatsu intends to finance any resulting deal from its own resources.

Asatsu is the fifth biggest agency in Japan – the world's largest advertising market after the US – with billings of Y112.4bn ($775m) last year. Less than 1 per cent came from outside Japan.

● In New York yesterday, Mr Fred Meyer, chief financial officer of Omnicom, played down the likelihood of an early deal, Our Financial Staff adds.

"While we have had some expression of interest on the part of Asatsu to acquire more shares in Omnicom, there are presently no discussions," he said. He described the operating relationship between the two as "friendly and productive."

Adsteam unveils shift in strategy

By Chris Sherwell in Sydney

MR JOHN SPALVINS, who heads Australia's Adelaide Steamship conglomerate, announced an important shift in corporate strategy yesterday when he unveiled higher interim profits earlier than expected.

The share price jumped in response to the moves, which were clearly aimed at countering pessimism about Adsteam's finances following critical analyses from Australian Ratings, the local credit rating agency, and Baring Securities.

Mr Spalvins' action also superseded last week's unusual statement about Adsteam's first-half performance, which only reassured shareholders temporarily because of the fall in confidence which has caught most entrepreneurial companies following the troubles of Bond Corporation, Qintex, Hooker, Westmex and the Goldberg group.

Adsteam's basic operating businesses cover food, retailing, wine, building supplies, towage, manufacturing, timber, shipping and coal. They are controlled through a network of wholly or part-owned companies, including the listed David Jones, Tooth, Petersville Sleigh and National Consolidated.

But investors have been attracted to the group as much by Mr Spalvins' aggressive investment activities as its underlying earnings potential. In the past two years the group has moved heavily into Australian banks and UK insurance companies, and has made individual plays for Industrial Equity and Bell Resources.

In his statement yesterday, Mr Spalvins said: "We intend to reduce partially our investment portfolio in the next few months and concentrate on developing the businesses within our associates." Any new acquisitions "will be to enhance business activities already in place."

He confirmed that Adsteam had sold all its UK insurance investments before the end of December, realising a profit on its Commercial Union holding but making unspecified losses on Royal Insurance.

Regarding Bell Resources, part of the troubled Bond empire, Mr Spalvins confirmed that Adsteam had made a second A$30m (US$23m) provision on top of the A$30m last year for losses on its 20 per cent holding, and further provisions would be made if necessary.

But he insisted that losses from Bell Resources would not be material because of substantial unrealised profits on Adsteam's shareholdings in Australia's big three private banks and because of the group's overall size, with net tangible assets of A$1.56bn.

John Spalvins: Adsteam will continue to trade profitably

Regarding Adsteam's borrowings, Mr Spalvins said the maximum debt attributable to Adsteam itself was A$1.04bn, which made its gearing conservative. He said it was misleading to attribute the liability of independent associates to Adsteam.

As an example of the new strategy, Mr Spalvins cited the recent A$70m acquisition of the Lindemans wine business by Tooth's Penfolds wine subsidiary, to create Australia's largest wine maker.

Similarly, he called the acquisition of Industrial Equity, with food and retailing interests (including Woolworths) to complement existing businesses, "by far the most significant step taken by Adsteam in recent years."

Adsteam reported after-tax profits for the six months to June of A$131.5m, up 21.2 per cent from the corresponding period in the last financial year. Earnings per share dipped 15 per cent to 56.8 cents because of a one-for-four rights issue and a one-for-five bonus issue.

Although sales were down 64 per cent to A$83m after one operating company was sold and another ceased to be a subsidiary, other revenues more than doubled to A$460m.

"We see no reason why Adsteam and all its major associates will not continue to trade profitably and produce further good profits in the full year," Mr Spalvins said.

Directors declared an interim fully franked dividend of 36 cents, but on the increased capital the overall payout is almost 1½ times that of last year.

The final dividend is expected to be "at least equal" to the interim dividend.

On the stock market, Adsteam shares jumped 22 cents to A$5.22, having surged 28 cents on Monday. The shares touched a low of A$4.60 last week, plummeting from A$6.30 in a fortnight. Shares in Adsteam's listed associates also rallied strongly.

Goodyear earnings drop 41%

By John Griffiths

GOODYEAR Tire and Rubber yesterday announced a 41 per cent drop in net profits last year. It said it expected competitive conditions in its tyre and general products businesses to impede profits throughout at least the first half of 1990.

The comapny, based in Akron, Ohio, is losing its position as the world's biggest tyre maker as a result of the acquisition by Groupe Michelin of Uniroyal Goodrich. It said it was continuing efforts to reduce manufacturing and operating expenses and improve the efficiency of its production and distribution.

It is doing so against the background of falling sales of vehicles in the US, and production cutbacks by domestic US vehicle makers.

Tyre-sector growth is stagnating at the same time as the six largest tyre makers, which control more than 80 per cent of the world market, are stepping up capacity.

Goodyear, therefore, appears to be facing a prolonged recovery struggle.

It remains weakened by the rebuffing of a hostile takeover attempt by Sir James Goldsmith three years ago, which left the company with nearly $3bn in long-term debts.

Goodyear reported a fall in net income, after a number of special items, to $206.8m, or $3.58 per share, from $350.1m, or $6.11 per share, on turnover up marginally at $10.87bn from $10.81bn.

Fourth-quarter net earnings were even more sharply lower, at $14.7m, or 25 cents a share, compared with $56.4m, or 98 cents a share in the 1988 quarter. Fourth-quarter turnover fell slightly to $2.74bn from $2.83bn.

The extraordinary items include $10.9m in the fourth quarter for consolidation of truck tyre capacity and realignment of the company's Canadian operations, partly offset by a gain of $3.7m in tax benefits from foreign-loss carryovers.

In the 1988 fourth quarter the company had after-tax charges of $26.6m from pension settlement and asset reversion, and an employee separation programme.

The full-year figure also includes a charge of $105.9m, mainly reflecting a loss on the sale of Goodyear's South African subsidiary.

ITT lifts income on lower sales

ITT, the US conglomerate with interests ranging from electrical components to financial services, lifted net income in the fourth quarter and the full year, AP-DJ reports.

The fourth-quarter earnings were stronger than expected and the company's share rose $1⅛ to $53⅞ in early trading in New York.

The group took fourth-quarter net income to $257m from $180m while sales fell slightly to $5.1bn from $5.2bn. Per share earnings were $1.87, compared with $1.26, and $1.79, against $1.26 diluted.

In the year to December 31 the group lifted net income to $922m from $817m on sales ahead to $20.1bn, against $19.4bn. Per share earnings rose to $6.52 from $5.70 and on a diluted basis to $6.30, against $5.68. ITT said the sales comparisons for the quarter and the year were adversely affected by the divestiture of Communications Services in the third quarter of 1989, flat property and casualty premiums, and the strength of the US dollar.

The company's businesses had higher 1989 operating earnings, with the exceptions of Electronic Components, ITT Hartford, and ITT Financial.

The Electronic Components business was affected by lower margins and volumes in semiconductors, power systems and worldwide distribution operations.

The company said operating results at ITT Hartford were substantially below 1988, primarily because of the property and casualty industry-wide downturn and record catastrophe losses of $133m during the year which were $93m higher than in 1988.

Catastrophe losses included $51m (Hurricane Hugo), and $10m (California earthquake).

The company said results at ITT Financial were "essentially flat for 1989." They were reduced by $62m due to the reinforcement of the group's charge-off reserves in its consumer portfolio during the third and fourth quarters."

The 1988 results included a fourth-quarter charge of $24m in connection with the settlement of a civil suit.

Equity in earnings of Alcatel, the company's joint venture telecommunications concern, which is 37 per cent owned by ITT, rose about 30 per cent during 1989.

Warning on start-up cost at Bougainville mine

BOUGAINVILLE Copper, operator of a copper and gold mine in Papua New Guinea which has been closed since May by secessionist violence, yesterday admitted that the costs of recommencing operations would be high, while a failure to resume would seriously reduce the value of its assets, writes Chris Sherwell.

Releasing its results for 1989, the company – 54 per cent-owned by CRA, the Australian resources group – reported an after-tax loss of 2.9m kina (US$3m) compared with a profit of 108.6m kina in 1988, on revenue of 232m kina, down from 493m kina.

The directors omitted a 1989 dividend, saying it was "inappropriate," and said the company had won a government deferral of 1989 income tax until operations recommenced and repayments were made of special shareholder loans from the Government and CRA.

Although they reaffirmed their intention to resume operations once law and order was restored on Bougainville island, they said it was impossible to determine when this might be or the extent of damage to assets which would have occurred while operations were suspended.

Outgoings until work recommenced would be 10m kina to 20m kina a year, they said, while the costs of re-establishing and training a workforce, restoring facilities and stores and recommissioning plant and equipment were "likely to be considerable."

A decision to recommence next January 1 would incur costs of 75m kina to 100m kina, they said, excluding costs relating to possible damage through vandalism, pilferage or military action.

Although it was currently appropriate to value the company's assets on a going-concern basis, the directors said a "major reduction" in value would be necessary if the mine was unable to resume operations successfully.

Pilots' dispute cuts TNT first-half profits by 41%

By Chris Sherwell

AUSTRALIA'S pilots' dispute slashed first-half profits at TNT, but the international land and air transport group says earnings growth will resume in the second half.

Interim results released yesterday showed that the group's equity-accounted profits after tax for the six months to December plunged 41 per cent to A$72m (US$54m). Revenues rose 17 per cent to A$2.33bn.

A breakdown of the figures revealed that TNT's wholly-owned operations managed a 17 per cent increase in operating profit to A$94.7m. But on an equity-accounted basis this was cut to A$72m.

The disparity was blamed principally on the performance of Ansett Transport Industries, which is 50 per cent-owned with Mr Rupert Murdoch's News group and runs the domestic airline Ansett.

The group reported A$11.2m profit as an abnormal gain, reflecting foreign currency fluctuations, and incurred A$8m in extraordinary losses through closing certain operations. Earnings per share dipped sharply to 12.8 cents from 20.2 cents, but directors declared an unchanged second-quarter dividend of 3.75 cents, wholly unfranked.

TNT said European operations made a smaller contribution to profit as the costs of setting up its overnight air express service outweighed strong performances from UK and Italian operations.

North America operations also suffered a setback. Returns from the US fell, while TNT Canada made a loss. In South America, TNT Brazil's contribution was affected by currency translations.

TNT admitted that the pilots' dispute, which began in August, had had a "severe impact" on Ansett's profitability. But it added that the business was now operating with a full complement of flight crew, to "equivalent" pre-dispute schedules.

Pre-tax rises 12% at Singapore supermarket group

COLD STORAGE, the Singapore supermarket and property group which is to be split in two by its controlling shareholders, yesterday reported a 12.2 per cent rise in pre-tax profits to S$19.3m (US$10.4) for the first half to December, writes our Financial Staff.

Sales were 17.8 per cent higher at S$219.3m. Net profits, which rose to S$10.6m from S$9.23m, excluded an extraordinary gain of S$8.2m. The gain partly reflected proceeds from property sales by Centrepoint Properties, the company's 53 per cent-owned subsidiary.

Control of Centrepoint is to pass to Fraser & Neave under an asset-swap arrangement between the local soft drinks group and Goodman Fielder Wattie, the Australasian food combine. Stripped to its supermarket side, Cold Storage will come under the direct control of Goodman.

Cold Storage is currently 63 per cent owned by Food Investments, a joint venture between F & N and Goodman.

Ahead of the proposed deal, which is expected to be completed by June, Cold Storage is maintaining its interim dividend of 2.85 cents per share, paid from net earnings of 8.49 cents against 7.42 cents.

Expenditure curbs to ease fall in Noranda earnings

By Robert Gibbens in Montreal

NORANDA, Canada's largest resources group, is cutting capital and exploration expenditure this year to help cushion the impact of lower profitability.

Mr Alfred Powis, chairman, said although earnings from the big minerals division should be higher in 1990, Noranda must bear the heavy interest costs of last year's takeover of 50 per cent of Falconbridge, and lower contributions from the forest products subsidiaries in Canada and from the US aluminium affiliate.

This meant 1990 earnings overall would be down from 1989's C$442m (US$368.3) or C$2.19 a share. Estimates of C$1.60 to C$1.80 a share were near the mark, he added.

It is predicted the spending cutbacks will have most effect on the minerals division.

One of the forest product affiliates, MacMillan Bloedel, will alone spend C$450m in 1990, one third for environmental upgrading, and will end the year with debts of nearly C$1bn.

Noranda may make further cutbacks in Falconbridge's nickel production if metal prices do not rebound. Last month Falconbridge said it would close one mine to reduce nickel output by 10 per cent, to 135m lbs this year.

But Noranda wants to expand gold production through 50 per cent–owned Hemlo Gold Mines, a new Northern Ontario producer.

Noranda and Hemlo will share equally all spending on new gold properties acquired in North America from January 1 1990.

Dollar rise hits CanPac

By Robert Gibbens

CANADIAN Pacific saw fourth-quarter profits decline by 8 per cent to C$190m (US$160m) or 60 cents a share because of a continued lag in earnings from its transportation and forest products subsidiaries.

Both these sectors were hit by the 4 per cent rise in the value of the Canadian dollar during 1989.

For the full year, CanPac earned C$745m or C$2.35 a share, down 9 per cent from C$820m or C$2.65 in 1988. Income from continuing operations dipped 3 per cent to C$665m or C$2.09 a share.

During the year CanPac nearly completed a broad programme of rationalisation.

Mr William Stinson, president, said a rebound in profits was unlikely in 1990 because of continuing poor markets for newsprint, the high Canadian dollar, uncertain grain shipment volumes and the difficulties experienced by its trucking operations.

Last year's results were buoyed by telecommunications, general manufacturing and property development. The property subsidiary, Marathon Realties, is being spun off this year.

Mr Stinson said CanPac might sell off its trucking subsidiaries this year, but that the company would increase its 47 per cent holding in Laidlaw, the international waste management group.

The company will report revenue figures for the fourth quarter and year in the next few weeks.

Pall Mall bid would lead to break-up of Laing, says Chilver

By Paul Cheeseright, Property Correspondent, in London

LAING Properties will be broken up if it is taken over by Pall Mall Properties, Mr Brian Chilver, the chairman of Laing, said yesterday.

"Effectively, the business as it is now won't be there any more," he said. Mr Chilver was responding to the formal offer document, posted to Laing shareholders by Pall Mall Properties, explaining the details of the 650p a share cash bid, valuing the company at £441m ($747.9m).

Pall Mall Properties is a partnership of P&O, the shipping, construction and property group, and Chelsfield, a private property company 50 per cent-owned by Mr Elliott Bernerd.

Laing Properties' main defence document will be published in two weeks and an up-to-date valuation of the Laing property portfolio in mid-March.

The main lines of that defence were set out yesterday by Mr Chilver who said that Pall Mall, seeing Laing as good value for money, is simply exploiting the depressed property sector. Laing shareholders should not give the profit to somebody else, he said.

His argument that Laing would be broken up springs from the observation that Pall Mall is financing the greater part of its planned purchase by a £300m facility from Lloyds Bank. This sum, added to Laing's existing debt of £500m, would be a high level of gearing to be set against a £1bn property portfolio. Hence, Mr Chilver concluded, the company would have to be broken up.

Mr Chilver's comments mark the start of a verbal battle for control of Laing.

They must be set against the Pall Mall argument that acceptance of its bid would provide Laing shareholders "with the opportunity on reinvestment to increase their income five-fold" and that the offer "provides a significant uplift in capital value – an increase of some 33 per cent over the price on January 18."

That was when the latest bout of Laing bid speculation began on the market.

Analysts, noting that members of the Laing family and their trusts control about 40 per cent of the equity, think that Pall Mall will probably have to increase its offer if it is to succeed.

Pall Mall controls 23 per cent of the Laing equity.

Laing shares yesterday were 664p, down 2p on the day, but 14p above the offer price.

Liffe plans extension of after-hours trading

By Deborah Hargreaves

THE LONDON International Financial Futures Exchange (Liffe) announced yesterday that it will extend the scope of its after-hours electronic trading system with the launch of more contracts on screen later this week and in March.

Liffe became the industry's first leading futures exchange to move into electronic trading when it launched its Automated Pit Trading system at the end of November. Since then the system has been trading the exchange's Bund and Euromark futures contracts in an evening session from 4.30pm to 6pm.

APT got off to a modest start and has been averaging around 2,000 contracts a session, most of which have been concentrated in Bunds. The system posted a record on Monday when it traded 3,713 Bund futures and 1,382 Euromarks.

Liffe is now scheduled to list its major contracts on APT beginning with the long gilt futures, which will start trading on Thursday. This will be followed by short sterling futures on March 8 and Eurodollar and US Treasury bond futures on March 29.

Cartes Bancaires rejects Amexco agreement

By George Graham in Paris

FRANCE'S bank card consortium, fresh from a fierce row with its domestic competition authorities last year, is heading for a new argument with American Express, the US financial services group.

Amexco had reached an outline agreement with Société Générale, the fourth largest French retail bank, to allow each partner's card holders reciprocal access to the other group's cash machines.

But the Groupement des Cartes Bancaires, which brings together all French banks in a single bank card consortium, has refused to authorise the agreement.

Crédit Lyonnais, one of Société Générale's main rivals, tried without success to have a similar agreement with Amexco agreed some years ago. Banque Nationale de Paris, meanwhile, has a reciprocal services deal with Diners Club, but this does not include access to cash machines, so does not require the Groupement's approval.

The Cartes Bancaires said Amexco, with its own card, could not be expected to promote the French CB cards, which are linked either to the Visa or the Mastercard networks, depending on the issuing bank. It added that the deal was not even-handed, since Amexco has far fewer cash machines than Société Générale.

Mr Jürgen Aumüller, president of American Express Europe, said he was surprised by the decision, which seemed to go against a ruling by the French competition council in 1988, complaining of the Cartes Bancaires' anti-competitive practices.

"This attempted exclusion by Cartes Bancaires is clearly opposed to the spirit of 1992," Mr Aumüller said. He added that Amexco's agreement with Société Générale was not exclusive, and that he was already negotiating with four other banks on similar lines.

The row may be something of a storm in a teacup. As one rival banker pointed out, very few Amexco customers do not also have either Visa or Mastercard, so they can already withdraw money from Société Générale's cash machines, or those of any other French bank.

France is almost unique in the world in having a single bank card system. Some bankers grumble that it is also unique in having a card system that loses money. The card may be labelled Carte Bleue (Visa) or Carte Verte (Mastercard), but its holder can withdraw cash from any of the 12,200 machines in France.

This principle of "interbancarité" provides a bonus for customers, and is heavily backed by the Government and by most of the banking profession, but brings difficulties over how to share costs.

Prudential splits Italian insurance venture

By Patrick Cockburn

PRUDENTIAL Corporation, the UK insurance group, is to split its Italian insurance joint venture, 50 per cent of which was sold by the Benetton family to L'Abeille Group of France this week, giving it majority control of the life side of the business.

Under the new arrangement Abeille will take a 60 per cent stake in and be responsible for managing Prudential Assicurazioni, the non-life arm of Prudential Holdings, the joint venture of which Prudential Corporation and the Benetton group each owned half.

At the same time Prudential will take a 60 per cent stake in and be responsible for Prudential Vita, the life insurance side. As part of the deal Abeille, a subsidiary of France's Victoire group, will put a further L10bn ($8.05m) into the non-life arm of the joint venture.

Mr Michael Lawrence, group finance director of Prudential, said yesterday that his company welcomed Abeille as a partner. He did not foresee any reason for friction between Victoire and Prudential in managing what is now effectively two separate joint ventures in Italy.

Mr Lawrence said that Prudential had been aware since last December that Benetton, with extensive holdings in the Italian clothing industry, had been planning to retrench, reducing its commitment to financial services. Subsequent talks with Abeille led to the decision to split the joint venture into two parts.

In common with other European insurers Prudential has been eager to take advantage of the rapidly expanding market for life insurance in Italy, with growth in premiums expected by analysts to be 25 to 30 per cent a year for the foreseeable future.

Mr Lawrence confirmed that the non-life business of the joint venture, established in 1987, had proved less successful than the life side. Non-life business in Italy as a whole has been growing by 10 per cent a year.

Over the last year British insurance companies have moved tentatively into Italy, with Royal Insurance buying 90 per cent of Lloyd Italico for £99m ($167.9m). Guardian Royal Exchange paid £44m for three Italian life companies it bought jointly with Banco de San Paolo di Torino.

Kone income climbs by 52%

KONE, the lifts and cranes group, said that income before tax and allocations rose last year by 52 per cent to FM526m ($133.5m), writes Enrique Tessieri in Helsinki.

Earnings per share increased from FM44.3 to FM67.8. Group turnover increased by 16.2 per cent to FM7.09bn, of which the elevator division generated FM4.70bn and cranes FM1.22bn.

● Skopbank, one of Finland's leading banks, saw net operating profits tumble 37 per cent to FM374m in 1989.

The group return on equity dropped from 14.9 per cent to 6.6 per cent.

Glen Dimplex buys 51% of Siemens subsidiary

By Clay Harris, Consumer Industries Editor, in Cologne

GLEN DIMPLEX, the privately owned Irish company which is the world's largest electric heating appliance manufacturer, is to buy 51 per cent of KKW, Siemens' electric heating appliance subsidiary and the market leader in West Germany.

The purchase, along with a similar smaller acquisition in France, also announced yesterday in Cologne, gives Glen Dimplex its first manufacturing presence in continental Europe.

The price for neither deal was disclosed but together they will increase the Irish company's annual turnover of £150m ($254.4m) from electric heating by more than 50 per cent. Glen Dimplex already accounts for more than half of electric heater sales in the UK and Ireland.

Mr Martin Naughton, Glen Dimplex's chairman, said the distribution aspect of the Siemens deal was as important as its manufacturing side.

The Irish company will supply all electric heating products sold under the Siemens name in the European community and sell UK-made heaters under its own Glen and Dimplex brands through Thermo Technik TTB, Siemens' Stuttgart-based heating distributor, which was included in yesterday's deal.

Judging from previous joint ventures involving Siemens, the deal is likely to be a preliminary step towards eventual full ownership of KKW by Glen Dimplex.

Glen Dimplex is also buying 51 per cent of Laco, a Strasbourg-based supplier of portable and installed electric heating products.

So far, Mr Naughton said, Glen Dimplex has achieved healthy export sales to Spain and the Benelux countries, but very little penetration of France and West Germany.

Audi expects continued rise in sales and profits

AUDI, the up-market arm of the West German Volkswagen group, has raised 1989 sales to more than DM12bn ($7.2bn) from DM11.5bn while also increasing its profit/sales ratio, Reuter reports.

Mr Kurt Lauk, the deputy management board chairman, said he expected sales and profits to continue rising, with Audi's 1990 profit/sales ratio increasing to 6.5 per cent after nearly 5 per cent last year and 3.5 per cent in 1988.

Mr Lauk said Audi's excellent result in 1989 was achieved in spite of a 15,000 drop in the company's domestic car deliveries from 1988's figure of more than 187,000.

He said a strong performance in Audi's export markets failed to compensate for the fall in domestic deliveries. Audi's total 1989 deliveries fell slightly to 420,000 cars from 423,000 the year before.

In some of its export markets – Spain, Japan and Italy – exports surged by more than 20 per cent. But Mr Lauk admitted that, with 87 per cent of its sales going to Europe, Audi had to expand into other markets.

Audi had still not decided where to set up a new engine factory employing 1,200. A decision is expected to be made this year. Audi wants the plant to be operational by 1992.

BBL rises in first quarter despite narrow margins

BANQUE Bruxelles Lambert (BBL) had stronger results in the first quarter of 1989-90 than the same period of the previous year, Reuter reports.

Mr Jacques Thierry, BBL chairman, said yesterday: "The first three months were better than last year and better than budget, although this could not be taken as an indication of results for the full year to September 1990."

Narrowing interest rate margins continued to erode the profitability of the bank's lending operations, although this was offset by increased Belgian franc activity, Mr Thierry said.

The rise of unit trusts in Belgium had meant more deposits, which contributed to the squeeze on margins, but also an increase in commission income.

There was also a growing tendency for clients to do without intermediaries and raise funds directly on the capital markets.

Mr Thierry said BBL would continue to develop its non-interest related activities in response to tough competition and the continuing harsh interest rate climate.

BBL's profits from mergers and acquisitions, portfolio management, foreign exchange, consultancy and other fee business rose sharply last year.

● Sparebanken Midt-Norge, the Norwegian savings bank, more than doubled pre-tax profits to NKr336m ($52.1m) but losses on loans and guarantees surged to NKr303m, of which NKr220m was attributed to commercial loans.

Alusuisse reconsiders sale

ALUSUISSE-Lonza has reconsidered its decision to sell Consolidated Aluminum (Conalco), part of Alusuisse of America, the Swiss group's US division, writes John Wicks in Zurich.

Dr Hans Jucker, the chief executive of Alusuisse-Lonza, disclosed last September that negotiations were being held with a view to selling Conalco, a light-metals processor with 1989 turnover of $400m and a payroll of 1,500.

Alusuisse said it would retain Conalco because conditions on the North American aluminium market had improved.

Conalco had achieved very good results for last year.

There had been decisive progress in the company's profitability and product mix, Alusuisse said.

INTERNATIONAL CAPITAL MARKETS

SNCF issue increased to Y30bn on strong demand

By Deborah Hargreaves

THE LAUNCH of a Y25bn bond issue for SNCF, France's national railway, yesterday provides a benchmark deal in the 10-year Euroyen sector. The issue was increased to Y30bn soon after its launch as it experienced strong demand from European institutions.

The World Bank was said last night to be taking a decision on whether to launch today a new $1.5bn *global bond* issue, which will have a seven-year maturity. Uncertain conditions in the bond markets led the bank to postpone the issue which was originally scheduled for last month. The first global issue from the bank carried a *10-year maturity* and was launched in September at an interest margin of 37½ basis points over the US Treasury market. The new issue will be jointly led by Morgan Stanley and Goldman Sachs.

INTERNATIONAL BONDS

Many in the market believe even Y30bn is not enough to satisfy the latent demand for 10-year paper in a market replete with deals maturing in three to five years. The only major reference bonds of similar maturities are a Council of Europe issue which matures in 1999 and a yen deal for the Republic of Austria maturing in 1998. The *SNCF deal* was trading well within its fees at less 1.60 to 1.70 late yesterday although trading slowed towards the end of the day.

The 10-year yen sector is not likely to attract many new deals as it is a difficult sector in which to organise a swap.

Pricing of a convertible Eurobond issue for *Samick*, the South Korean musical instruments company, was delayed yesterday. The issue is expected to be priced before the end of the week, but was held up over a disagreement over the size of the coupon.

In the Swiss market, prices eased again slightly yesterday as existing issues came under more pressure and dropped by ⅛ as demand remained selective. Monday's issue for *Nationale Nederlanden, which* carried a 7⅛ per cent coupon, still attracted some interest and was trading within its fees at *less 1⅛. The Province of Manitoba* deal was trading just on its fees to co-managers at less 2⅛.

The National Bank of Hungary came to the market yesterday with its second Austrian schilling bond issue for *Sch1bn which* carries a coupon of 9⅛ per cent and will be priced today.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
YEN						
SNCF(a)◆	*30bn*	6⅞	102	2000	2/1¼	Mitsubishi Finance Int.
Public Power Corp(Greece)‡◆	16bn	(b)	100	1998	40/25bp	Yamaichi Int. (Europe)
Banque Nat. de Paris(c)◆	10bn	14.4	100⅞	1991	⅞/½	Nippon Credit Int.
STERLING						
ECSC(a)◆	60	11⅞	100⅛	2009	no fees	BZW
SWISS FRANCS						
Creditanstalt-Bankverein(a)◆	100	7½	101½	2000	2⅜	Wirtschafts-und Privatbk
US DOLLARS						
Nagase & Co.(d)Φ◆	200	2¼	100	1994	2¼/1½	Daiwa Europe

★★Private placement. ◆Final terms. ‡Floating rate notes. ΦWith equity warrants. a) Non-callable. b) Coupon pays 25bp over 6-month Libor. Put option March 1995 at par. Call from March 1995 and on coupon dates thereafter. c) Redemption linked to Nikkei stock index. d) Coupon cut by ½% from indication.

S&P downgrades Hong Kong debt

STANDARD & Poor's, the US credit rating agency, has announced a downgrading of Hong Kong's long- and short-term debt ratings following a review prompted by last year's political upheaval in China, writes Michael Marray. The Hong Kong Government has no debt issues outstanding, so the rating is an implicit one, which provides a sovereign ceiling for corporate borrowers. The colony's Mass Transit Railway Corporation (MTRC), which is Hong Kong's biggest borrower, is most affected by the decision.

Its long-term debt has been downgraded from "A plus" to "A", and its short-term debt rerated from "A1 plus" to "A1".

However S&P stressed the adjustment was based on the lower rating ceiling for entities domiciled in Hong Kong and not a change in its view of the MTRC, which had strong operating performance and improving finance.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on February 13

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 8⅝ 96	750	97⅝	98	-0⅛	+0⅞	9.04
Alberta 9⅞ 95	600	101¼	101⅝	-0⅛	+0½	9.04
Austria 9⅝ 93	140	101½	102	-0⅛	-0⅛	8.94
B.F.C.E. 8⅝ 94	175	97⅝	98	-0⅛	+0½	8.98
B.F.C.E. 9¼ 95	150	100⅝	101	-0⅛	+0¼	9.06
Brit. Tel. Fin. 9⅜ 98	250	100⅝	101⅛	-0¼	+0¼	9.21
Canada 9 96	1000	101¼	101½	-0⅛	+0⅝	8.72
C.C.C.E 9¼ 95	300	100⅝	101⅛	-0¼	+0⅞	9.02
C.N.C.A 9⅝ 93	150	†100¼	100¾	-0⅛	+0¼	9.18
Credit National 8¼ 93	200	†97¾	98¼	-0¼	+0¼	8.98
Credit National 7⅞ 92	100	96⅞	97⅜	-0⅛	+0⅛	8.85
Credit National 9½ 92	160	†101¼	101¾	-0⅛	+0¼	8.87
Dai-Ichi Kan 9⅝ 92	150	100⅞	101⅛	0	+0⅝	9.07
Denmark 8¼ 94	150	†96½	97	-0¼	+0⅜	9.14
E.E.C. 7 91	100	97	97½	-0⅛	+0⅛	8.68
E.E.C. 10 93	140	†102¾	103¼	+0¼	+0½	8.89
E.I.B. 8½ 99	150	95¾	96¼	-0¼	+1	9.13
Eurofima 10⅛ 93	100	†102¾	103¼	+0¼	+0½	9.01
Elec.De France 9 98	200	99¼	99¾	-0⅛	+0⅞	9.08
Elec. De France 9½ 99	200	†101⅞	102	-0⅛	+1	9.16
Finland 9 96	250	99⅝	100	-0½	+0½	9.04
Fin.Exp.Cd. 8½ 92	200	99	99½	-0⅛	+0¼	8.89
Finn. Exp. Cd. 9⅜ 95	200	100⅝	101⅛	-0⅛	+0⅜	9.15
Ford Motor Credit 8 91	250	†99	99½	0	+0⅜	8.70
Gen.Elec.Cap.Corp. 9 93	500	†100⅜	100⅞	0	+0⅝	8.78
Gen.Elec.Cap.Crp.10 1/2 91	300	101⅝	102	-0⅛	+0¼	8.72
G.M.A.C. 8¾ 94	500	†97⅞	97⅞	-0⅛	+0⅝	9.37
G.M.A.C. 9 96	300	98⅛	98⅝	-0¼	+0¼	9.33
Gen. Mtrs.Corp. 9⅛ 92	200	99⅞	100⅜	0	+0⅝	9.02
IBM Credit Corp. 8⅝ 92	400	99⅛	99⅝	0	+0⅛	8.86
IBM Credit Corp. 8⅞ 91	250	99½	100⅛	-0⅛	0	8.99
IBM Credit Corp. 9 92	250	100⅛	100⅝	-0⅛	+0¼	8.78
IBM Credit Corp. 9½ 92	250	101	101½	0	+0⅛	8.79
Italy 8½ 94	1500	98	98½	-0⅛	+0⅝	8.95
Italy 9½ 95	1000	101⅞	102⅜	-0⅛	+0⅜	8.99
Italy 9⅝ 99	1000	102⅜	102⅝	-0⅛	+0⅜	9.20
Itoh C. W/W 4⅝ 94	1000	108⅛	109⅝	+0¼	-2¼	2.42
Japan Dev. Bank 10 96	200	103¾	104⅛	-0⅛	+0⅜	9.11
KFW Intl. Fin. 9 94	300	99½	100⅛	-0¼	+0⅜	9.04
L.T.C.B.of Japan 9¼ 92	200	100⅛	100½	0	+0¼	9.11
New Zealand 9 94	850	98⅞	99¼	0	+0⅝	9.22
Nippon Tel.&Tel. 9⅞ 98	250	100⅞	101⅛	-0½	+0⅝	9.19
Norway 8¼ 93	500	99¾	100¼	-0⅛	+0⅜	8.74
Portugal 8¼ 91	300	†98⅝	99¼	0	0	9.33
Sumitomo Corp. W/W 4 93	1500	119¼	120½	-0¼	+0⅞	-1.68
Sweden 8¼ 96	200	98⅞	99¼	-0⅛	+0½	8.96
Toyota 9½ 91	200	100⅝	101⅛	0	+0¼	8.93

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6¼ 91	80	99⅛	99⅜	-0⅛	-0⅛	6.90
Canada 5⅝ 93	80	96½	96¾	0	0	6.74
Cr.Local France 6¼ 94	300	96¾	97	-0⅛	-0⅛	6.57
Denmark 6¼ 95	300	97	97¼	-0⅛	-0⅛	6.55

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Minolta Camera 2¼ 94DM	2/86	1004.	104½	105¼	+0¼	7.29
MCA Inc 5½ 02 US	9/87	69.62	93¼	94½	-0⅝	20.35
Mitsubishi Bk. 3⅛ 04US	5/89	3266.	87½	88½	-0⅝	5.29

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Daily forex turnover averages $640bn

By Simon Holberton, Economics Staff

THE GLOBAL trading for foreign currencies is 32 times greater than world trade, according to a Bank for International Settlements study of the foreign exchange market released yesterday.

The study, using data compiled from surveys of 21 countries conducted in April 1989, estimates that the net average daily turnover in the foreign exchange market amounts to $640bn, after adjusting for an estimated $204bn of cross-border double counting.

The estimated global trading of foreign currencies last April amounted to $14,79bn. This compares with world trade in goods and services in April of $460.9bn and cross-border claims on BIS reporting banks of $4,753.8bn.

The UK, US, Japan and Switzerland account for more than half of the global market in currency trading. Compared with 1986, when a similar but more limited survey was conducted, Japan's currency market posted the fastest growth.

Currency trading in Japan grew by 140 per cent between March 1986 and April 1989. In the US it grew by 120 per cent while in the UK, which houses the largest single market for currency trading, the market grew by 108 per cent.

The survey underlines the continuing importance of the US dollar in foreign exchange trading. About 90 per cent of identified global transactions involved the dollar. The yen was involved in 27 per cent of total transactions, the D-Mark in 26 per cent of transactions and sterling in 15 per cent of trading.

London took a 40 per cent share of trading in non-local currencies, followed at some distance by Singapore and Hong Kong. Nearly 90 per cent of these transactions were against the dollar, followed by the D-Mark and the yen.

Spot foreign exchange transactions – deals made for settlement in two days time – account for 58 per cent of gross exchange market activity, with forward deals accounting for 40 per cent and currency options just 2 per cent, or $22bn of reported gross global turnover.

Survey of Foreign Exchange Market Activity, Bank for International Settlements, Basle, 4002, Switzerland. No price given.

HK banks join Citic syndication

By Michael Marray in Hong Kong

HONGKONG and Shanghai Banking Corporation and its subsidiary, Hang Seng Bank, have agreed at the last minute to join the lead-management group for a HK$7bn loan to China International Trust and Investment Corporation (Citic) to help finance the acquisition of a 20 per cent stake in Hongkong Telecommunications, a Cable and Wireless subsidiary.

Uncertainty about the participation of the two big local banks arose after Wardley, Hongkong Bank's merchant banking unit, lost out to Barclays of the UK in its bid to win the mandate to arrange the loan.

Yesterday's announcement of the participation of the Hongkong Bank group came with the news that Wardley will act as co-arranger alongside Barclays.

Doubts about the participation of Hongkong Bank were viewed as damaging to the overall syndication effort, since other foreign banks could have misinterpreted the Hongkong Bank's hesitation to participate as stemming from worries over loans to Peking-controlled entities. The loan is now oversubscribed, though additional banks may still be brought into the lead management group, which already includes banks from the US, Europe and Japan.

The syndication is for a HK$5.4bn 10-year project finance tranche at Hong Kong interbank offered rate (Hibor) plus 1 per cent, and a A$224m five-year zero coupon facility. Another HK$1bn is to be raised through an issue of covered warrants.

Citic will make up the HK$10bn price tag on the Hongkong Telecom shares with an additional HK$2bn from its internal resources.

CME Libor contract

The Chicago Mercantile Exchange will list a new contract based on the one-month London interbank offer rate on April 5, writes Deborah Hargreaves.

The new futures contract will complement the CME's range of short-term interest rate futures contracts.

Treasuries retrieve some losses despite Drexel news

By Karen Zagor in New York and Stephen Fidler in London

US TREASURY bonds recouped some of their previous day's losses yesterday even though Drexel Burnham Lambert, the big Wall Street investment firm, said it might file for bankruptcy only a day after the firm denied that this might happen.

GOVERNMENT BONDS

Drexel also said it was liquidating its government securities portfolio and had defaulted on at least $100m worth of loans.

In late trading the Treasury's bellwether 30-year bond was up 1/32 point at 101 1/32, yielding 8.39 per cent, after tumbling 1 1/32 point on Tuesday. At the short end of the yield curve the two-year issue was up 1/8 point to yield 8.19 per cent.

The Federal Reserve did not intervene in the open market yesterday and Fed funds, the rate at which banks lend to each other, changed hands at 8 1/16 per cent.

The debt market's reaction to the possible Drexel bankruptcy seemed cautious after Monday's losses. Bond prices did not deteriorate, but there was little evidence of safe-haven buying of government securities on the Drexel news.

However, the junk bond market slid throughout the morning in anticipation of a sell-off by mutual funds.

The Treasury market's recovery came after early morning losses in the wake of stronger than expected retail sales figures. Retail sales grew 1.6 per cent in January, thanks mainly to a surge in automobile sales. This was the biggest jump since October 1988.

However, excluding automobile sales, January's retail sales rose 0.6 per cent. Furthermore, a downward revision in December's figures, to a drop of 0.2 per cent from a gain of 0.2 per cent, helped offset concerns about the January data.

■ AFTER six successive days of decline, the West German government bond market paused yesterday. The shift in mood prompted rallies in other bond markets throughout Europe.

However, little enthusiasm was evident for the market, which, after opening lower, mostly finished slightly higher on the day.

More details emerged on the likely path toward monetary union of the two Germanys, with the two governments establishing a joint committee to study the issue. It also became clear that no move was likely before the East German elections on March 18.

Again the market appeared to be futures-driven, with more than 60,000 contracts trading in the active March contract of the Bund futures on the London International Financial Futures Exchange (Liffe). The contract closed at 83.39, against the previous settlement of 82.60.

The Bundesbank announced it would allocate a two-tranche variable rate repurchase agreement for 28 and 63 days today, with DM17.8bn in agreements maturing tomorrow. But this had little market impact.

Yield differentials between the French government market and the German market for 10-year maturities widened slightly to 147 basis points, while the Dutch market was again weak, and the yield differential put at 48 basis points.

■ The UK government bond market put in a more enthusiastic performance, but it was hard to divine a factor other than the stabilising of the West German market which prompted a short-covering rally. Gilts were up by ¾ point or more at the long end of the market.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	94-08	+7/32	12.25	12.40	11.74
		10.500	5/99	95-15	+14/32	11.28	11.30	10.85
		9.000	10/08	89-00	+20/32	10.34	10.38	9.93
US TREASURY *		7.875	11/99	96-24	+16/32	8.38	8.57	8.09
		8.125	8/19	96-28	+19/32	8.41	8.57	8.17
JAPAN	No 119	4.800	6/99	89.1519	-0.307	6.68	6.63	6.40
	No 2	5.700	3/07	95.3744	+0.314	6.26	6.29	6.52
GERMANY		7.125	12/99	91.0000	+0.350	8.51	7.92	7.45
FRANCE	BTAN	8.000	10/94	90.5355	+0.103	10.65	10.38	10.15
	OAT	8.125	5/99	89.0000	+0.200	9.98	9.81	9.47
CANADA *		9.250	12/99	94.1000	-0.200	10.21	10.04	9.79
NETHERLANDS		7.500	11/99	90.5700	-0.050	8.99	8.49	8.12
AUSTRALIA		12.000	7/99	94.8067	+0.769	12.98	12.74	12.83

London closing, *denotes New York closing
Yields: Local market standard
Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Benor Tankers placing oversubscribed

By Karen Fossli in Oslo

A $65M PRIVATE placement undertaken by Finanshuset, the Oslo-based investment bank, for newly established Bermuda-registered Benor Tankers was deemed successful, though over-subscribed by $85m.

Institutional investors from Scandinavia, the UK and continental Europe participated in the placement, according to Finanshuset. Benor Tankers will be listed in Luxembourg and is to seek a listing on the international shipping list recently established in Olso.

The placement allowed Benor Tankers to purchase a fleet of five modern product tankers for $129.5m, of which $75m was arranged by Oslo-based Den norske Creditbank.

Bunds crumble with the Berlin Wall

Stephen Fidler and **Simon Holberton** on the retreat of the West German bond market

The crumbling of the Berlin Wall last November has undermined another edifice: the West German bond market. Long protected by the anti-inflationary zeal of the West German central bank, the Bundesbank, it has been a safe harbour for German savings. Now the momentous events which have shaken the continent are challenging the certainties of West German financial policy, and the Bundesbank is being swept along.

Since the collapse of the Berlin Wall, West German government bond prices have been in almost continuous retreat. It is a retreat which has intensified over the last two weeks, as the depth of East German economic distress has become more apparent and as the timetable for monetary and economic union between the two Germanys has accelerated.

Since East Germany announced it was opening its borders on November 9, the yields on 10-year West German government bond have risen from about 7.2 per cent to over 8.5 per cent yesterday. That reflects an extraordinary downgrading of the D-Mark bond market. The implications could be significant throughout western Europe.

Long-term bond yields can be analysed as representing three elements: a "real" interest rate reflecting the real supply and demand for long-term capital, a nominal element which compensates investors for the loss in capital value caused by inflation, and an uncertainty premium, reflecting a reward to investors for taking the risk of committing funds.

The expected monetary unification has changed all three elements: increased uncertainty, expanded the risks of inflation and shifted the likely demand and supply of credit in such a way that a rise is indeed justified.

The uncertainty premium is the least worrying in the long-term. The market has shown unprecedented volatility in recent months which makes German bonds a riskier investment. That volatility, many in West Germany feel, has been exaggerated by the existence of the London futures market. There is, at least until this summer, no futures contract in German bonds in Germany, so the day-to-day fluctuations of the German market often appear unduly to follow the shifts of speculative funds on the London International Financial Futures Exchange (Liffe). In a reprise of the arguments heard in the US at the time of the stock market crash in 1987, many in West Germany believe the London futures market tail is wagging the cash market dog. However, in time, this volatility can be expected to die down and the uncertainty premium to decrease.

The inflation question is more of a problem. Higher inflation in West Germany is seen as a probable consequence of the monetary union now being discussed by Bonn and Berlin. According to Goldman Sachs International, the Wall Street investment bank, if East German inflation is 20 per cent and West Germany inflation 2.6 per cent then the weighted average inflation rate for greater Germany would be 6.6 per cent.

The prospect of higher inflation has been behind the Bundesbank's desire to urge caution on monetary union. It is possible, however, that monetary union is now seen as the mechanism for controlling East German inflation.

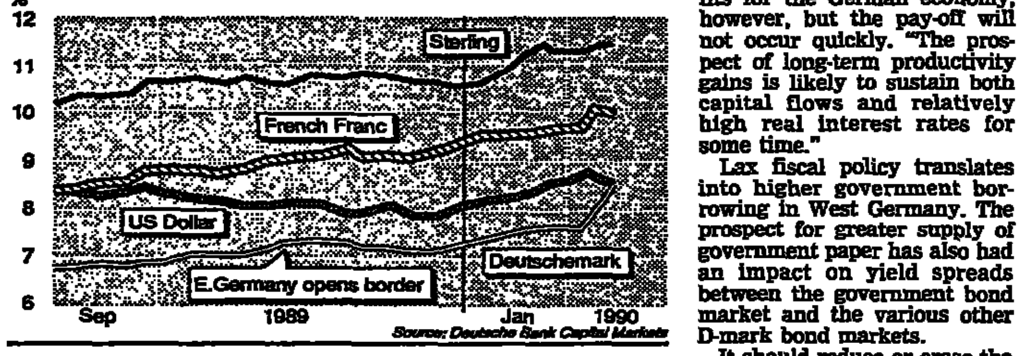
As many economist concede, they have no way of knowing what the true rate of inflation in East Germany is. The East German economy is highly regulated with price controls, there is rationing and subsidies on a large scale and trade and investment is controlled.

Monetary statistics suggest to Mr Gerry Hotham, international economist at Shearson Lehman Hutton, there is not a Polish-style monetary overhang in East Germany which could threaten inflation for a merged Germany. With about Ostmark185bn in cash and savings in East Germany a conversion at a ratio of 5:1 would inflate West Germany's money supply by 3 per cent. "The problem looks manageable," he says.

Even at an exchange rate of 3:1, other economists work out the expansion in German money supply at 4 per cent. And there is some extra productive capacity in East Germany.

That exchange rate is critical. If the East Germans argue for a rate anywhere near parity, then the prospect is that armed with hard currency in place of their Ostmark, the East German consumer will go and spend it on consumer goods in West Germany, threatening inflation in an economy already near to full capacity. None the less, in spite of the East German Government's desire to win a popular deal for its newly-enfranchised people ahead of next month's elections, it must realise that too high an exchange rate would be even more devastating for East German industry.

10-year Government Bond Yields



Source: Deutsche Bank Capital Markets

On the other hand, if the rate is set at a level more justifiable in economic terms, the incentives to emigrate into the west will be great for many East German workers. West German welfare payments will be higher than East German wages, as Mr Avinaush Persaud of UBS Phillips & Drew has pointed out. This will pressure West German public finances, and consequently the bond market.

A number of methods can be used to ameliorate the problem: a sliding scale could be used to conversions of savings given a less advantageous rate to larger amounts, bonds could be issued to East German savers with future conversion rights to spread out the problem, or those bonds could be secured on East German assets.

Nonetheless, the widespread expectation is that the Bundesbank will sterilise the monetary effects by tightening monetary conditions. This will mean higher short-term interest rates, which will bolster the D-mark on the currency markets and is likely to have an impact on long-term rates.

Of most concern to West German financial markets, therefore, may be the likely demand for funds to rebuild East Germany in the years ahead, and to house and feed East Germans who have emigrated west. Initially they will have to come through an increase in the West German budget deficit – and the supply of more government bonds.

If the object of monetary and eventually economic union between East and West Germany is to raise living standards in the east then the scale of the investment needed by East Germany is large. According to some economists this suggests what is happening on the German bond market has more to do with real interest rates and makes uncertainty or fears of inflation secondary considerations.

S G Warburg Securities has estimated that on a 5:1 exchange rate, and assuming half of East Germany's capital stock is uneconomic and in need of replacement, East Germany requires investment of DM2,350bn ($1,332bn) to raise its per capita income and output to West Germany's level. Spread over 10 to 20 years the annual investment demand would be substantial.

"The burden would be shared out, of course, but it would still represent an important source of pressure on capitalist savings. Japan and those countries in western Europe where the economic cycle is still strong and where savings are falling, would succumb to additional upward pressure on interest rates," it says.

The likely consequence of the economic redevelopment of East Germany, and central Europe as well, suggests the hunger for western savings may have caused a steep change in real interest rates.

The picture that builds up, according to Chase Investment Bank, is an environment of "lax fiscal policy and unaccommodating monetary policy." This favours the currency but not the bond market. And the boost to economic activity implied by the restructuring "clearly favours the equity market relative to the bond market".

There will be long-term benefits for the German economy, however, but the pay-off will not occur quickly. "The prospect of long-term productivity gains is likely to sustain both capital flows and relatively high real interest rates for some time."

Lax fiscal policy translates into higher government borrowing in West Germany. The prospect for greater supply of government paper has also had an impact on yield spreads between the government bond market and the various other D-mark bond markets.

It should reduce or erase the traditional yield advantage that the German market has over its other European counterparts. Indeed, the yield gaps between the German market and its French and Dutch counterparts have been shrinking in recent weeks.

It could also add to strains on the European Monetary System. This would mean either higher interest rates in the rest of Europe, to protect the other continental currencies, or a realignment of the EMS. Either way it suggests other European bond markets will not be completely insulated from German events.

On the other hand, worries about higher inflation in Germany could mean that temporarily the Bundesbank loses its status as the pillar of European financial stability. This may lend strength to the arm of those, for example in the UK, who are not entirely convinced of the benefits of membership of the EMS's exchange rate mechanism.

See Lex, Page 28

FT-ACTUARIES SHARE INDICES

Compiled by the Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tuesday February 13 1990: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Mon Feb 12 Index No.	Fri Feb 9 Index No.	Thu Feb 8 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (203)	873.57	-0.1	13.02	4.80	9.36	1.62	874.75	882.52	889.91	908.61
2 Building Materials (27)	1071.92	-0.3	14.69	5.27	8.49	0.50	1075.48	1087.60	1097.15	1128.55
3 Contracting, Construction (37)	1487.20	-0.6	16.62	5.29	7.88	0.67	1496.02	1499.71	1508.31	1658.35
4 Electricals (10)	2498.46	-0.1	10.77	4.98	11.67	0.75	2500.17	2532.53	2551.11	2674.23
5 Electronics (30)	1920.54	+0.2	9.36	3.75	13.82	10.21	1916.85	1926.53	1934.01	2041.87
6 Engineering-Aerospace (8)	434.09	----	13.93	5.08	8.82	0.04	434.09	439.70	446.89	0.00
7 Engineering-General (44)	466.55	-0.2	12.83	5.06	10.01	1.28	467.38	470.75	474.67	0.00
8 Metals and Metal Forming (6)	467.64	----	25.22	6.43	4.47	0.00	467.56	470.15	474.38	521.04
9 Motors (16)	364.62	+0.7	14.54	5.79	8.06	0.00	361.94	365.62	369.99	311.40
10 Other Industrial Materials (25)	1565.31	-0.4	10.78	4.61	10.77	3.06	1570.87	1589.49	1604.76	1523.90
21 CONSUMER GROUP (177)	1248.25	----	9.05	3.81	13.80	3.05	1248.22	1259.37	1269.93	1174.80

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	70	12	16
Corporations, Dominion and Foreign Bonds	8	4	25
Industrials	291	416	894
Financial and Properties	120	166	408
Oils	33	21	38
Plantations	0	3	7
Mines	39	53	66
Others	71	76	109
Totals	632	751	1,563

LONDON RECENT ISSUES

EQUITIES

LONDON TRADED OPTIONS

TRADING WAS quiet yesterday as turnover on the underlying market slackened. The main factors affecting the market sentiment came once again from overseas, which reinforced investors' reluctance to move into equities or derivative products. Attention was focused on Wall Street and the difficulties afflicting Drexel Burnham Lambert, though nervousness about the possibility of a rise in West German interest rates added to the unease.

Dealers said there were some signs that investors may be considering buying at the current market levels. One options analyst pointed to the larger number of calls that changed hands as a sign of a more bullish tone. Others said that the aggressive selling of the FT-SE 100 futures index, some of which was by institutions, indicated that many of the larger investors remained negative.

Total options market volume amounted to 24,884 contracts, little changed from Monday. Yesterday's total was divided between 14,108 calls and 10,776 puts.

The FT-SE 100 index made up over 25 per cent of the day's trading. A total of 7,440 contracts were traded, of which 3,219 were calls and 4,221 were puts. The February 2,250 put was the busiest, with 1,173 lots changing hands.

The European FT-SE index option traded 1,483, of which 655 were calls and 828 puts. Turnover was boosted by James Capel, which sold 650 of the December 2,525 puts at 187p and an equal number of calls in the same series at 104p. The trade was hedged in the futures market and was based on a bearish short-term view but bullish longer-term. The transaction was also said to be a cheap way of buying the December FT-SE futures index.

Among the stock options, Thames Water was the busiest. A total of 900 lots changed hands, of which 300 were calls and 600 puts. The Water Package was the second most active, as one US house sold 800 of the May 1,600 calls at 100p.

FIXED INTEREST

FIXED INTEREST STOCKS

RIGHTS OFFERS

TRADITIONAL OPTIONS

UK COMPANY NEWS

Caution still reported in some of the biggest financial centres

Core growth behind Reuters' rise to £283m

By Andrew Bolger

REUTERS HOLDINGS, the financial information and news group, yesterday revealed record operating margins when it reported a 31 per cent increase to £283m in pre-tax profits for the year to December 31.

Mr Glen Renfrew, managing director and chief executive, said: "The steep increase in pre-tax profit reflected record operating margins and a sharp rise in interest income, backed by continued good revenue growth in core products.

Revenue increased by 18 per cent to £1.19bn and earnings rose by 36 per cent to 43.6p. The total dividend is lifted by 44 per cent to 18p.

"Earnings per share had the additional benefit of a reduced tax rate and a small decline in the average number of shares outstanding."

The world's financial markets, on which Reuters depends for most of its revenue, had not all regained the high level of confidence seen before the October 1987 stock market crash.

However, Mr Renfrew said: "The company's core information and transaction products performed very well. Foreign exchange business continued to prosper and equities markets were generally less nervous than in 1988.

"Rapid growth of foreign exchange and securities business in a number of burgeoning or resurgent European and Asian markets helped to compensate for the caution still ruling in some of the biggest financial centres."

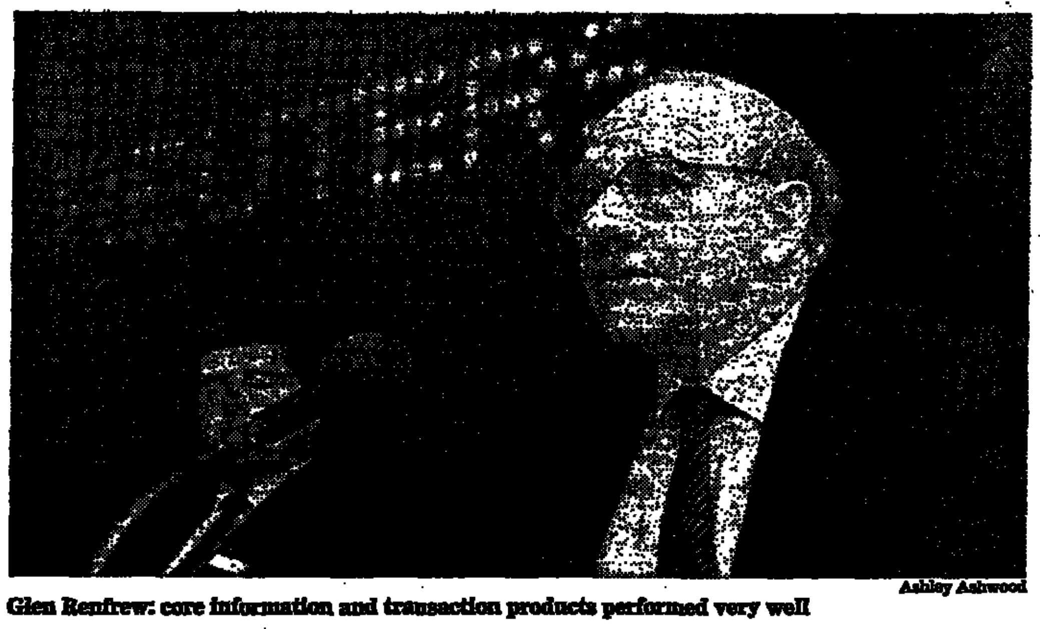
Core product revenue also grew strongly in North America.

Problems persisted in the market for large digital trading room systems and, although Reuters continued to win a major share of the business available, revenue from this source was lower than in 1988, especially in North America.

New orders for core products showed a modest improvement compared with 1988. Orders were particularly strong for the the first phase of the new Dealing 2000 system, which updates terminals on the Reuter Money Dealing Service.

The new terminals will pave the way for the second phase of Dealing 2000, which will add automatic execution to the negotiated dealing facilities of the present system.

Other new products to be launched in the first half of the year include Money 2000, a successor to the Reuter Monitor in international foreign exchange and money markets, the company's most important source of revenue.



Ashley Ashwood

Glen Renfrew: core information and transaction products performed very well

Mr Renfrew said: "We started 1990 with a big order backlog and a high rate of installations. New orders continue to hold up and we believe the major new products to be introduced in the next few months have excellent prospects. We hope to go on earning good margins and to improve the cash position further."

He added: "Although we do not expect to repeat last year's performance in percentage terms, the current outlook is for very good growth."

Operating profit rose 28 per cent to £265.4m, and the operating margin was 22.4 per cent compared with 20.7 per cent. Interest income more than doubled to £19.4m, taking the pre-tax profit margin from 21.5 per cent to 23.8 per cent. The tax rate was 36 per cent, against 37.7 per cent

See Lex

Early merger between Midland and Hongkong banks unlikely

By David Barchard in London and John Marray in Hong Kong

MIDLAND BANK and Hongkong and Shanghai Banking Corporation yesterday moved to dampen expectations of an early announcement of a merger between the two banking groups.

Both banks are due to announce their year-end results in the next month and there had been press speculation that announcement of the merger might coincide with the results.

"Midland and Hongkong Bank continue to develop their relationship and to discuss the form and nature of a closer business association between the two groups. These are preliminary discussions and a further statement will follow, if appropriate", the two banks said in a tersely worded statement.

Both banks refused to comment further about the statement but sources close to the Hongkong Bank added yesterday that it was unlikely that any further announcement on a closer business relationship would be made along with the release of either set of results.

Midland Bank releases its results next week, on February 22, while Hongkong Bank announces its 1989 figures on March 13.

Banking analysts in London yesterday said they were not surprised that the two banks were moving to calm speculation about their future at this stage. "The word merger has already been used by the two banks in public, so we have a fairly clear perspective on what lies in store." said one. Another said that though the merger would be beneficial for Midland shareholders by creating a stronger bank, it would not bring them benefits in the form of a bid premium on the shares.

If it happens, the merger will bring into being a combined bank ranking among the ten largest in the world with a commanding business position across the globe, but there are still formidable political, legal and commercial obstacles to be overcome.

The Hongkong Bank's share price has enjoyed a strong run in recent months amid speculation that it may soon move towards fuller disclosure by revealing the extent of its secret inner reserves allowed under the colony's banking laws.

Any such move will be seen as preparing the ground for the eventual merger with Midland. However the Hongkong Bank's share price has lost ground this week after last Friday's announcement by the bank of $175m worth of loan loss provisionsby its US subsidiary, Marine Midland.

Hongkong Bank shares closed 15 cents lower yesterday at HK$7.45. In London Midland's shares rose by 3p to close at 368p.

Mainmet £762,000 in the red

Mainmet Holdings, the USM-quoted manufacturer of metering equipment and controls which is currently the subject of a £523,000 takeover offer, revealed pre-tax losses of £762,000 in the six months to November 30 1989.

This compares with a pre-tax profit of £171,000 last time.

The group blamed its trading problems on a lack of contracts from the local authority market and disappointing sales of card terminals.

ISS, the Danish cleaning group, which is making the bid for Mainmet, yesterday posted its formal offer document. ISS is offering 10p per share and already holds 11.2 per cent of the equity.

Hazlewood purchase

Hazlewood Foods is to pay Fl 13m cash (£4.1m) to acquire the outstanding 30 per cent of Fri-D'Or. In the year to March 31 1989 it reported sales of £28.9m and pre-tax profits of £700,000.

Berlitz achieves 30% growth

Mr Robert Maxwell, chairman of Maxwell Communication Corporation, has announced that profits at Berlitz International were up more than 30 per cent in 1989 before the amortisation of goodwill.

Berlitz is the language tuition company acquired as part of Macmillan, the US publisher. Sales were a record $216.5m (£128.6m), but operating income declined from $24.1m to $23.5m because of the inclusion this time of a full year of amortising of goodwill, compared with only two months in 1988.

The goodwill arose from the acquisition of Macmillan in 1988.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Bailey (CH), Kakuzi, Norton,
Finals- Brooks Tool Engineering, General Consolidated Investment Trust, Independent Newspapers, Leslie Wise, Scottish American Investment, SEP Industrial.

FUTURE DATES

Interims-	
Alumasc	Feb. 28
Brierley Invs	Mar. 8
Havelock Europa	Feb. 21
Sinclair Goldsmith	Feb. 22
Finals-	
Cussins Property	Mar. 8
Fleming Mercantile Inv	Mar. 6
Forwell	Feb. 21
Johnston Press	Mar. 22
Owners Abroad	Feb. 20
Perry	Mar. 9

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Bryant ....int	1.4	May 4	1.4	-	4.8
Egerton Trust ....fin	6.5†	-	4.5	10	6.5
Fleming Fledg ....fin	2	Apr 18	1.6	4.3	3.6
Reuters ....fin	9.4	-	6.2	13	9

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market.

Goodman calls for £5m to expand video activities

GOODMAN GROUP plans to expand its share of the fragmented video market with the acquisition of a further 21 retail shops for a maximum £3m.

To finance that and to reduce indebtedness, there is to be a £5m net underwritten rights issue through 24.95m shares at 22p each, on a three-for four basis.

Now the clothing and footwear businesses have been sold, Goodman proposes to change its name to Video Stores Group. The video division was purchased last August and the latest acquisition will bring the number of outlets to 68.

Results for the year ended January 31 1990 will show the first positive results from the video side, but still reflect the substantial losses in clothing and footwear.

It is intended to return to the dividend list as soon as possible, but no payment is expected for 1990-91.

The companies being acquired are Wunday, with 12 outlets around Milton Keynes, and Top Tape, which operates from nine shops in East Anglia. Initial aggregate consideration is £1.6m, of which £1.2m is cash and the balance in shares. Further payment depends on profits.

For Wunday the initial payment is £560,000 to £700,000 cash, with a further maximum of £800,000; maximum for Top Tape is £1.5m, the initial £900,000 being met by £500,000 cash, £200,000 assumption of certain liabilities, and the balance by shares.

Goodman has recently concluded negotiations with West Coast Video Enterprises, of the US, to become its UK head franchisee.

Several board change are also announced. Mr A Gore and Mr P Gore have left following the disposals, and Mr C Cooke has resigned. Mr Christopher Simpson becomes chief executive and Mr Brian Hamer finance director.

Mr John Tilbrook joins the board in a non-executive capacity; he is finance director of Beeson Gregory, underwriters to the rights issue.

Cost of Mid-Sussex water could top inflation by 16%

By Andrew Hill

MID-SUSSEX Water Company will be allowed to increase its water charges by up to 16 per cent above the rate of inflation during the next three years.

Mid-Sussex is the last of Britain's 29 statutory water companies to receive a price cap – or K factor – from the Government.

The other companies were told their proposed K factors last week after several months of difficult negotiations: they will be allowed an average increase in charges of 6.5 per cent above the rate of inflation in the next five years.

The statutory water companies supply water to 25 per cent of the population of England and Wales, alongside the 10 former water authorities, which also deal with dirty water.

The authorities were privatised before Christmas and received their K factors last summer.

Mid-Sussex is controlled by SAUR Water Services, a subsidiary of the French construction group Bouygues.

Under yesterday's proposals it would be able to increase its charges by up to 16 per cent above the rise in the retail price index in 1990-91, 1991-92 and 1992-93.

In the following seven years up to the end of the decade, the water company's price increases would be in line with RPI.

UK COMPANY NEWS

Hostile conditions in the property market claim another victim

Bryant declines 53% to £14.7m as housebuilding demand subsides

By John Thornhill

BRYANT GROUP has become yet another casualty of the straitened property market as it yesterday reported that pre-tax profits fell nearly 53 per cent in the six months to November 30 1989.

The Midlands-based housebuilding and construction group recorded pre-tax profits of £14.7m (£31.1m). This was achieved on turnover 15 per cent down at £145m (£170.9m).

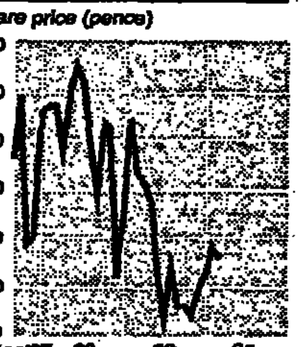
The sector's problems have been well flagged and Bryant's shares slipped only 1p to 106p yesterday.

Mr Chris Bryant, chairman, said he thought that the property market had now bottomed out and that since the beginning of this year the group had achieved reasonable sales.

During the half year the housebuilding division experienced a big fall in demand and turnover fell to £78.8m (£117.8m).

Bryant Group

Share price (pence)



The homes, mainly in central and southern England, cover the £50,000 to £300,000 range and Bryant claimed that selling prices had fallen by about 15 to 20 per cent since their peak in the summer of 1988.

But the company said potential buyers remained interested in its homes and would make more purchases once interest rates were reduced.

The property arm had a successful first half with sales in excess of £12m.

It operates several office development schemes and has also set up joint ventures to develop business parks. The division's turnover advanced to £16m (£14.5m).

Construction activities had a "satisfactory" six months with an improved performance.

Sales grew to £50.2m (£38.6m) and the division currently had £80m's worth of forward orders.

No divisional profits breakdown was given, but Bryant said that non-housing activities now accounted for about a third of operating profits, compared with around 20 per cent last time.

The interest charge was substantially higher at £4.2m (£1.7m).

Earnings fell sharply to 4.7p (9.9p) after tax of £5.1m (£10.9m), but the interim dividend is held at 1.4p.

Alan Harper

Chris Bryant: since the beginning of the year the group had achieved reasonable sales

● COMMENT

The sharp fall in Bryant's profits came as little surprise given the state of its markets, and prospects, too, will be almost entirely dependent on the outlook for the property sector. At the moment that seems far from clear. Bryant claims the market has bottomed out and home sales are picking up but confidence is thin and the sector still appears to be perilously precarious. Until firmer evidence becomes apparent one way or the other, Bryant's shares are not likely to go anywhere in the short term. A prospective multiple of just over 10 on annual pre-tax profits estimates of about £30m, therefore, seems a fair evaluation. But for those who buy housebuilding stocks on a counter-cyclical basis and play for the long term, Bryant looks attractive. English China Clay's near 30 per cent holding – the legacy of a failed takeover attempt in 1987 – may possibly be up for grabs given the company's present difficulties, throwing in another attraction for the shares.

Property Co buys rest of Collingtree

Property Company of London has acquired the remaining 50 per cent of the B ordinary shares of Collingtree Leisure it does not already own for £2.1m cash. The Property Company already owns the entire issued A capital.

£28m sale by Priest Marians to meet loan repayment

By Paul Cheeseright, Property Correspondent

PRIEST MARIANS Holdings, the property group troubled by cashflow problems since it paid £111m for Local London Group early in 1989, has sold a a building in Kensington, London, to a group of private investors for £28m.

The sale enabled Priest Marians to meet – slightly late – a scheduled £20m repayment to Samuel Montagu and Sumitomo Bank, a tranche of the £72m loan facility taken on to buy Local London. The next tranche is due in August.

Priest Marians, which is 25 per cent owned by JMB Realty of Chicago, yesterday saw its share price slip 2p to close at 153p. The shares have been depressed since the beginning of last week, the market believing that JMB is more likely to make a takeover bid for Rosehaugh than it is for Priest Marians.

Brent Walker pair leave Trilion board

Mr George Walker, chairman of Brent Walker, the leisure and property group, has resigned from the board of Trilion, the USM-quoted television production company.

This follows a placing of Brent Walker's 17.47m shares with institutional investors two weeks ago.

Mr John Quested, who joined the board with Mr Walker in May 1988, has also resigned.

Record increases stake in Easterbrook

By Vanessa Houlder

RECORD HOLDINGS, a power tool maker which is embroiled in a three-way struggle for Easterbrook Allcard, a private cutting tools business, yesterday announced that it had bought 3.1 per cent of Easterbrook's shares from the Rowntree Pension Trust.

Record has also received irrevocable undertakings from directors of Easterbrook and certain other shareholders representing about 29.7 per cent of the ordinary shares.

Record which launched its £13.2m white knight bid last week is rivalled by a £11.5m contested offer from James Wilkes, a listed engineering, printing and packaging company.

Wilkes has claimed receipt of irrevocable undertakings to accept its offer in respect of more than 50 per cent of the shares. However holders of 9 per cent of the shares are contesting the validity of the undertakings in a High Court hearing.

This was yesterday adjourned for two weeks.

UK COMPANY NEWS

Public inquiry into runway extension and other proposals due to start in July

Mowlem makes £33m provision for City airport

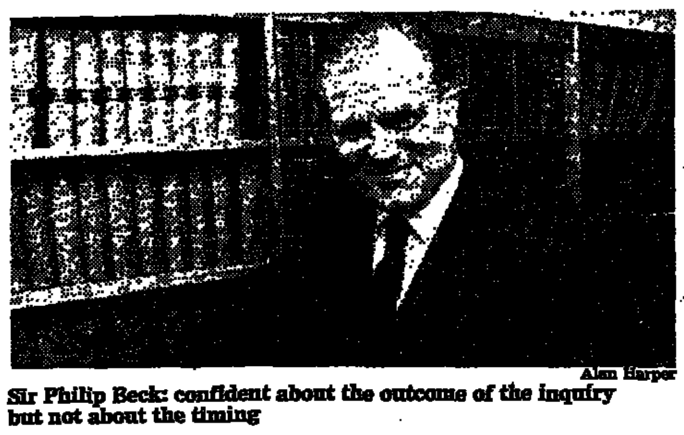
By Paul Abrahams

MOWLEM, the UK construction group, has made an exceptional provision of £33m in its 1989 accounts, to offset delays in developing the full profitability of London City Airport.

The company owns 90 per cent of the airport. The other 10 per cent is held privately by Mr David Goldstone, chairman of Regalian.

Sir Philip Beck, Mowlem chairman, said yesterday that the board had decided to make the provision after considering the full implications of the Secretary of State for the Environment's decision in October to order a public inquiry into an extension for the airport runway.

Before it made the provision, the company had also waited for the conclusions of a financial appraisal on the long-term viability of the airport undertaken by J Schroder Wagg. The appraisal was based on a study by the Polytechnic of Central London.



Alan Harper

Sir Philip Beck: confident about the outcome of the inquiry but not about the timing

London City Airport has consistently incurred losses since it was opened in October 1987.

The inquiry is due to start in July this year and is not expected to reach a conclusion before early 1991.

It will examine proposals put forward by London City Airport to extend the runway by 169 metres and change the angle at which aircraft can land from seven and a half degrees to five and a half degrees.

These proposals would allow the airport to handle jets such as the British Aerospace 146, which have more range, passenger capacity and are faster than the De Havilland Dash 7 turboprop aircraft which at present fly from London City. Mowlem said the earliest it could operate the new aircraft would be in 1992.

The company argued that the proposals would increase the profitability of the airport, which is dependent upon landing fees for much of its income. At present it handles 58 air movements (take offs and landings) during the week, with permission to operate 130.

The company said the ability to use BAe 146 aircraft would make the airport much more attractive to airlines. It has already had inquiries from Crossair to fly from the airport to Zurich, Geneva and Lugano at least three times a day.

"We are confident of the right decision at the inquiry," Sir Philip said. "What we are not confident about is the timing of that decision."

In the long term, Sir Philip said he was confident of the future of the airport, particularly with present investments in improved infrastructure for docklands.

By December 1991, the airport will be accessible by the Docklands Light Railway in about 25 minutes from Bank underground station.

He does not believe that Stansted Airport, which will be linked to Liverpool Street Station by March 1991, will be a competitor because it will initially be concentrating on charter traffic.

Sir Philip said that if the company lost the inquiry, it would consider the future of the airport in the light of its existing profitability.

He added that the provisions made would not affect the company's final dividend for 1989 when the results are announced in April.

See Lex

New trust from the Aberdeen stable

By Clare Pearson

ABERDEEN FUND Managers is launching the latest in a spate of trusts devoted to investment in Continental Europe — the £40m Abtrust New European Investment Trust.

It is being sponsored by James Capel which has arranged underwriting for 30m shares. The remaining 10m will be offered to private investors by way of an offer for subscription at 100p each.

Shareholders will receive warrants on a one-for-five basis and there is a minimum investment of £250.

Aberdeen Fund Managers said the trust will draw on the experience of the Abtrust European Fund, a unit trust it manages.

It claims that it will differ from large European investment trusts, with broad-based portfolios, and smaller trusts invested in one country, in that it will have an initial emphasis on the smaller stock markets.

Spain and Austria are expected to be the two biggest components of the initial portfolio, accounting for 15 per cent apiece. It will be relatively underweight in West Germany, investing an initial 12 per cent of funds in this market.

The trust takes the view that, in spite of data demonstrating that the Spanish economy is slowing, economic growth remains impressive and the market is now at a level where selected equities offer good value.

In Austria, it believes that exports to Eastern Bloc countries will continue to grow strongly, helped particularly by the further liberalisation of the Hungarian economy.

● Edinburgh-based Martin Currie Investment Management has launched a £23m investment trust, the New European Investment Trust, aimed at private investors. Together with warrants on a one-for-five basis, 25 per cent of the issue is being offered for subscription to the public.

The trust expects that initially, the majority of the portfolio will be invested in West Germany, France, Italy, Switzerland, the Netherlands and Spain.

● J Henry Schroder Wagg is taking advantage of new Stock Exchange regulations, introduced last week, which for the first time allow investment trusts and companies which are greater than £15m to be launched by way of a placing rather than an offer, provided they are aimed specifically at professional investors.

Schroder is launching the Schroder Japanese Warrant Fund, a $70m (£42m) closed-end investment company, which will invest in an actively managed portfolio of Japanese equity warrants.

Egerton Trust more than doubled at £19m

By Vanessa Houlder

EGERTON TRUST, the property, minerals, contracting and construction group, yesterday announced pre-tax profits for 1989 more than doubled from £7.97m to £19.02m. Turnover increased from £109.72m to £145.71m.

Mr Frank Sanderson, chairman and chief executive, said that the group had produced an excellent result in difficult and uncertain conditions. "1989 was not easy and I don't think that 1990 will be easy either. We have to be fairly quick on our feet."

The main profit increase came from commercial property, although housebuilding produced satisfactory results in spite of a poor performance from retirement homes.

High interest rates and economic uncertainty sharply depressed residential and commercial property sales in the last quarter, with the result that year-end gearing was higher than expected at 105 per cent. However net interest charges were kept down to £843,000 (£2.12m) as 83 per cent of borrowings were in dollar loans, matching dollar assets, at interest rates of less than 9 per cent.

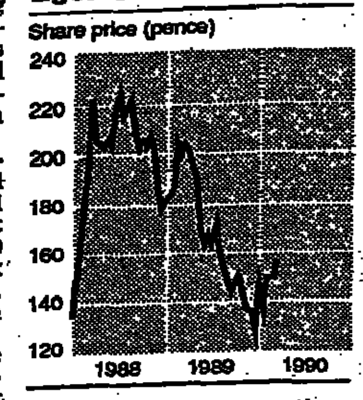
Following a review of the construction business, the maintenance and small works division of Trentham has been closed, leading to an extraordinary write-off of £2.80m.

The US operations reported a loss as a result of a slump in the minerals, ready-mixed concrete and housebuilding businesses.

The company expects a major uplift in profits in UK housing in 1990, particularly as the company avoided buying new land at the higher prices demanded in 1988. High interest rates are less influential than generally assumed, said Mr Sanderson.

After withdrawing from healthcare in the autumn, Egerton is concentrating on property development, housing, minerals and construction. Mr Sanderson said the group had no plans for further disposals and acquisitions.

Egerton Trust



Negotiations were continuing with the Association of British Insurers to find a formula whereby preference shareholders would agree to a buy-back of shares.

Earnings per share increased from 11.12p to 29.42p. A final dividend of 6.5p is declared, making a total of 10p — an increase of 54 per cent.

● **COMMENT**

Egerton has changed its shape so many times since Frank Sanderson — a former chairman of Bovis — took control four years ago that it is no wonder that the market has become rather confused. Indeed, the changing mix of healthcare, aggregates, property, construction and contracting can partly be blamed for the 29 per cent fall in the share price over the past 18 months. But now it has exited from healthcare and tidied up the construction interests, Egerton has emerged as a more coherent group with a mix of cash generative and cash hungry businesses. As a result, the share price may start to shrug off the difficulties of the markets in which Egerton operates. Following a plucky statement and a better-than-expected dividend, the shares rose 8p to 157p yesterday. Assuming pre-tax profits of £29m, that puts the company on an undemanding p/e ratio of 4 and a generous historic yield of 7 per cent.

General Automation in the black

Sanderson Electronics, the USM-quoted computer systems supplier, yesterday disclosed the second-quarter results of General Automation, the US company in which it has conditionally agreed to acquire a 51 per cent stake.

Net income of the California-based company in the period totalled $23,000 (£13,662) compared with a loss of $989,000 in 1988.

In spite of an adverse business climate in the industry GA's operating profits before interest charges improved to $147,000, against a loss of $683,000 last time.

The latest figures were the fourth successive quarter's profit announced by the company, said Sanderson.

Lloyds Chemist buy

Lloyds Chemist has acquired a trading pharmacy business and certain assets from FW Wood and Son (York) for about £540,000, satisfied by the issue of 272,728 new ordinary.

Further disposals raise £9.75m for Charterhall

CHARTERHALL, the listed UK subsidiary of Westmex, the Australian investment group run by Mr Russell Goward which last week went into liquidation, has sold both its North American oil and gas interests and its 27.6 per cent stake in Bridport-Gundry, the UK rope and netting company, writes Clare Pearson.

The company has raised an aggregate £9.75m through the sale, which takes account of a loss of about £3.1m on the disposal of the Bridport-Gundry shares compared with their balance sheet value as at June 30 1989.

Charterhall Oil North America and Charterhall Canada Holdings are being sold for a total consideration of $10.27m cash to Aviva Petroleum, the UK independent oil exploration company.

Last week, when Westmex called in the liquidators, Charterhall said it would continue to be supported by the Bank of New South Wales, its main Australian banker.

The disposals follow the sale of part of the 29.9 per cent stake held in A Goldberg, the Glasgow-based retailer, announced earlier this week.

Both investments were included in the non-core holdings which Charterhall said it was putting up for sale last year. Charterhall's shares were suspended last December when Westmex entered emergency talks with its bankers.

Charterhall Oil's assets comprise producing oil and gas interests in the US, refining and marketing operations in the US, and a 62 per cent shareholding in Red Cliff Energy, a Canadian oil and gas production company.

Charterhall Canada's principal asset is a C$1.7m loan note from Red Cliff.

Aviva plans to sell off the downstream activities of Charterhall Oil and agreement in principle with a potential purchaser has been signed.

It plans to execute a loan agreement with the prospective purchaser of $2.2m, where $1.1m will be applied to repayment of outstanding indebtedness.

Handley-Walker £0.85m acquisition

Handley-Walker, a USM-quoted management consultancy, has acquired Batalas for £850,000. Consideration is satisfied by £450,000 cash and the balance in shares.

Batalas, which specialises in quality management consultancy, quality training and systems implementation, announced pre-tax profits of £120,000 for the nine months to December 31 and at that date had net assets of £450,000.

Magnet issues writ against Bourne End Properties

By Maggie Urry

Magnet, the loss-making and heavily indebted kitchen and bathroom retailer, whose shareholders will later this week vote on a refinancing package, has issued a writ against Bourne End Properties in an attempt to force it to complete a £33m property deal.

Last October, Bourne End agreed to buy 28 properties from Magnet as part of a sale and leaseback package which Magnet arranged to raise cash.

However, Bourne End took advantage of a clause in the contract not to complete the deal as it plans to sell some of the properties on to other buyers.

NEWS IN BRIEF

CI GROUP has extended its foundry interests by acquiring Wombwell Foundry (1982) for £1.19m, satisfied by £743,000 cash and the issue of £444,000 unsecured guaranteed loan notes. For the year to January 31 1989, Wombwell made pre-tax profits of £291,000 on turnover of £5.2m.

CLOSE BROTHERS has subscribed £800,000 for convertible loan stock in Jackson-Stops & Staff and Mr Peter Stone and Mr Peter Winkworth have joined Jackson's board. The stock issue is convertible into a significant minority holding.

COOK (WILLIAM): Rights issue taken up in respect of 4.09m shares (89.6 per cent).

DEVENISH (JA) has purchased the Bell Hotel, Aylesbury, and The George, Twickenham, for nearly £2m.

EUROPEAN ASSETS Trust saw net asset value increase from Fl 6.77 to Fl 8.87 in the 12 months to December 31. Net income for 1989 was Fl 4.07m (£1.27m), against Fl 3.4m. Earnings per share were Fl 0.16 (Fl 0.14) and a final dividend of Fl 0.1 (Fl 0.08) is proposed making a total of Fl 0.14 (Fl 0.12).

FLEMING AMERICAN Investment Trust had a net asset value of 202.6p per share at December 31 compared with 143.5p a year earlier. Net revenue was £1.12m (£853,000) for earnings of 1.65p (1.24p) per share. A final dividend of 1p makes 1.5p (1.2p) for the year.

GRAYLING, part of Lopex, has acquired 80 per cent of Corolle, a French PR agency, for £188,000 cash.

R & H HALL's subsidiary R & H Hall (GB) has acquired Dower Wood Grain and Shipping for a consideration of £2.1m of which £1.95m is being paid in loan notes and the remainder in cash.

INDEPENDENT INVESTMENT Company: Net asset value was 73.6p at December 31 against 69.4p a year earlier. For the six month period net revenue declined to £95,000 (£706,000) for earnings per share of 0.1p (0.73p).

JOHNSON GROUP Cleaners has extended its US network with the acquisition of Mr Todd Your Cleaner, a Cleveland-based chain of dry cleaners. Johnson is paying $4.55m cash and a possible further payment up to $450,000, depending on future profits.

LIMITED INC reported net sales up 14 per cent from $4.07bn to $4.65bn for the 53 weeks to February 3 1990.

OCEAN TRANSPORT and Trading has bought, through its distribution division, the freehold property and related warehousing and distribution business of Livingston Allpak (UK) in Watford Village, Northamptonshire, for £9.15m.

QUADRANT GROUP has forecast that pre-tax profits for the year to February 28 will be not less than £5m (£4.4m), falling short of current market growth expectations. In response to the sales downturn, the company is substantially reducing the cost base to improve operating profitability for the coming financial year.

RADIOTRUST, the radio sector investor 39.8 per cent-owned by Associated Newspapers, had a net asset value of 102p per share at January 31. Revenue for the period May 26 to January 31 was £116,000. Post-tax revenue was £4,000 for earnings per share of 0.09p. Company also intends to raise about £4.16m by way of a rights issue of 4.3m new ordinary.

SLEEPY KIDS, the cartoon company traded on the Third Market, has appointed Telso International, a subsidiary of TVS Entertainment, to distribute Potsworth & Co, a television series, in Continental Europe.

UNILEVER has acquired Costablanca Group, an olive and other table oils concern based in Valencia, making it one of the leading olive oil manufacturers in Spain. Costablanca has a turnover of about Pta12.5bn (£70m) and employs 130 people.

WHEWAY has paid $3m cash for EFC, a manufacturer of filters for heating, ventilation and air conditioning, based in Santa Rosa, California. Pre-tax profit was $224,000 on turnover of $6.8m for the year ended September 30 1989.

UK COMPANY NEWS

Whyte & Mackay bidder says its product exploits existing market

Burn Stewart scotches criticism

By James Buxton, Scottish Correspondent

BURN STEWART, the Glasgow-based whisky company which has emerged as a contender to buy Whyte & Mackay, the distiller, from Brent Walker, the leisure and property group, yesterday rejected suggestions that it was an inappropriate company to make a bid for one of the major forces in the Scotch whisky industry.

Burn Stewart is competing with a management team from Whyte & Mackay led by Mr Michael Lunn, its managing director. Initially the two contenders were in a joint venture, but this collapsed, provoking acrimonious charges by both companies.

Mr Lunn is angry that Charterhouse, the merchant bank owned by Royal Bank of Scotland, is backing Burn Stewart's bid, since Royal has been Whyte & Mackay's banker for 20 years.

He is also annoyed that Murray Johnstone, the Glasgow fund manager, stopped advising the buy-out team pleading conflict of interest, temporarily disrupting the scheme. Both Murray Johnstone and Charterhouse have had stakes in Burn Stewart since 1988 when they assisted a management buy-in of the company by Mr Bill Thornton, a former finance director of Hiram Walker, the drinks company.

Mr Thornton, managing director of Burn Stewart, said yesterday:"There's a perception of the company that we're a barnacle on the industry's bottom. That's not true."

He said that when he acquired it Burn Stewart had been solely a whisky trading company but it had used strong profits to invest in large stocks of whisky and was now a substantial seller of bulk blended and bulk malt whisky, as well as bottled products, although it does not distill its own whisky. It had annual sales of about £30m and made pre-tax profits in the year to June 30 1989 of £4.9m.

Mr Thornton denied allegations that Burn Stewart was flouting the policy of the Scotch whisky industry towards Japan with its supplies of a so-called "new spirit", which are weaker than whisky and have recently been promoted in Japan to avoid the full duty levied on proper whisky. They have been whisky look-alikes because of their appearance and labelling.

Last year Mrs Margaret Thatcher, the Prime Minister, urged by the Scotch Whisky Association complained to the Japanese government that "new spirits", were competing unfairly with Scotch whisky.

Mr Thornton said that Burn Stewart's product Different Class, sold by Toyo Juzo, its Japanese distributor, was not a whisky and was not labelled to look like a whisky. It was a blend of malt whisky with neutral alcohol distilled in England and was bottled in Scotland.

"We're just exploiting a market segment that exists," he said. "We're not ashamed of it. We have had no indication directly from the SWA that they would prefer that we stop supplying this product.

"They made comments that we addressed in the final design of the label. It is a small and not important part of our business."

SEAT to acquire UK distributorship from Lonrho

By Kevin Done, Motor Industry Correspondent

SEAT, the Spanish subsidiary of West Germany's Volkswagen group, is taking over its UK distributorship SEAT Concessionaires (UK) from Lonrho, the international trading group.

SEAT cars were launched in the UK in late 1985. Car and light van sales last year totalled 11,255, but fell well below the company's original target of 15,000. SEAT captured 0.45 per cent of the UK new car market, virtually unchanged from 1988.

As a subsidiary of Lonrho, SEAT Concessionaires (UK) has made losses each year since its formation, although the deficit was substantially reduced in 1988-89 and the company is hoping to break even in 1990. Lonrho's contract with SEAT ran out at the end of 1989.

Both Lonrho and SEAT refused to disclose financial details of the deal.

SEAT said that it was planning to make an immediate equity injection of £4m into the company, which is to be renamed SEAT (UK).

It has ambitious plans for expanding its presence in the UK, and is to double its marketing expenditure to £11m this year.

It is aiming to increase its UK dealer network from 180 to 220 during the next 14 months in preparation for the launch next year of the SEAT Toledo which will be added to its present Marbella, Ibiza and Malaga small and medium car ranges.

The Toledo will move SEAT further up market and for the first time will take it into the UK fleet car market in direct competition with models such as the Ford Sierra and the Vauxhall Cavalier.

Paul Spicer: Lonrho retaining its other interests

Mr Juan Jose Diaz Ruiz, SEAT executive vice president for sales and marketing, said that SEAT was aiming to increase its UK vehicle sales to about 15,000 this year and to more than 50,000 in 1995.

The acquisition of the UK importer/distributorship is the latest step in SEAT's European expansion and follows similar moves in West Germany in 1985 and in France in 1988. It also acquired a 35 per cent stake in its Italian distributor in 1988.

The SEAT UK dealer network will continue to be operated entirely separately from the VW/Audi franchise, VAG (United Kingdom), which is also owned by Lonrho and is one of its biggest subsidiaries.

Mr Paul Spicer, a Lonrho director, said "there is no intention of us giving up anything we have at the moment apart from SEAT."

Strong growth at Huntingdon

FIRST QUARTER results from Huntingdon International Holdings again displayed the group's strong profits growth. In the period to December 30 1989 pre-tax profit rose 27 per cent, from £2.88m to £3.67m.

The life sciences segment of the business, based in the UK, recorded steady growth while maintaining historic margin levels. Capital investment was expected to exceed that of the previous year.

In the US, engineering and environmental services experienced strong sales growth, with healthy contributions from recently acquired subsidiaries. With a high proportion of engineering services related to outside projects, weather conditions in the January/March quarter remained a critical factor.

Revenues, 65 per cent of which came from US-based businesses, increased from £17.42m to £23.76m. Earnings in the opening quarter rose to 0.031p (0.025p).

BHH plans management buy-out

By Paul Cheeseright, Property Correspondent

THE MARKET value of BHH, the property group, has jumped over 20 per cent since Monday when it was announced that Mr David Fitzgerald, chairman, was marshalling financial resources for a management buy-out.

The shares, which had been trading near their 1989-90 low, stood at 120p yesterday, valuing the company at £46.7m.

BHH is strongly represented in the West Midlands. It has a portfolio made up largely of industrial properties, some for investment and some for development and trading.

In the last two years industrial property has been providing higher returns than either office or retail property. The company managed to sell off its residential properties when the market was high in 1988.

But the move towards a management buy-out does not seem to be near completion. An announcement from Barclays de Zoete Wedd on behalf of the company and its independent directors said no more than that it had been told by Paribas, acting for Mr Fitzgerald and Mr Robin Bagnall, the finance director, that Paribas "has approached potential sources of finance for a management buy-out proposal."

Mr Fitzgerald, on the assumption that his options are taken up, has a stake of 8.47 per cent in the fully diluted share capital. He is the second largest single shareholder, after MIM Britannia which controls 8.69 per cent.

Like other property companies, BHH has recently traded at a sharp discount to its net asset value. BHH's last published net asset value, for the year to December 1988, was 120p per share. But Paribas, the company's broker, recently estimated its current net asset value at 205p, with a break-up value of 158p.

Takeover bids in the property sector have been pitched below the net asset value, leaving the bidder room for manoeuvre. But the more development properties there are in the portfolio, the more difficult the company is to value in a market where returns are sliding.

The possible management buy-out is the third significant corporate move in the property sector in the last week, following Rosehaugh's rights issue and the P&O-Chelsfield bid for Laing Properties.

Asset rise for Fleming Fledgeling

Net asset value per share of the Fleming Fledgeling Investment Trust amounted to 284.5p at end-December 1989 against 235.1p a year earlier.

Gross revenue for the year improved from £966,584 to £1.58m but management expenses rose to £326,011 (£236,694) and interest charges to £446,317 (£99,533).

After taking account of a £77,313 rise in tax to £221,846 available revenue emerged at £587,569 (£486,322).

Earnings worked through 0.8p ahead at 4.67p and a final dividend of 2p makes a 4.3p (3.6p) total.

Inflation and sterling hit IBM's operation in UK

By Alan Cane

THE UK subsidiary of International Business Machines outperformed the parent as a whole in 1989, but still produced profits significantly down on the previous year.

Sales were up 8 per cent at £4.19bn but pre-tax profits dropped 11.5 per cent to £459m. The overall profit margin fell from 13 per cent to 11 per cent.

The company last month reported sales up 5 per cent to $62.7bn in 1989 with pre-tax profits down 35 per cent to $3.78bn.

In the UK, homes sales improved 21 per cent to £2.1bn while revenues from the exports of goods and services declined by 3 per cent to £2.1bn.

Mr Tony Cleaver, chief executive of IBM (UK), said the company's Havant, Hampshire, and Greenock, Scotland, plants shipped substantially more units than 1988, but adverse exchange rates and the maturity of the company's current offerings had hit exports.

Profits were down, he said, because of a combination of rising UK inflation and a decline in the value of sterling.

There are other factors. IBM's mainframe computer family is coming to the end of its life and customers are hedging their options for the future by leasing large computers rather than buying them.

IBM is itself a large player in the leasing market. Mr Cleaver noted: "The overall value of leases written in 1989 grew by 52 per cent over 1988 values. This leasing activity represents a source of stable, growing earnings for the future."

A switch to leasing has the effect of reducing revenues and profits for a manufacturer in the short term against regular cash flow in the longer term.

COMMODITIES AND AGRICULTURE

Compensation doubled for 'mad cow' disease

By David Blackwell

BRITISH FARMERS with cattle infected by the so-called mad cow disease will from today get 100 per cent compensation. Since August 1988 compensation for compulsory slaughter of cattle suffering from the disease – bovine *spongiform encephalopathy* – has been set at 50 per cent.

Mr John Gummer, Minister of Agriculture, was cheered as be told the National Farmers' *Union annual meeting* yesterday that he was doubling the compensation, up to a ceiling of the average market price.

More than 10,000 cattle have now been slaughtered. At first it seemed right that farmers should bear some of the cost of the outbreak, Mr Gummer said. But even without new infection the number of cases of cattle would continue to rise and could not be expected to decline until after 1993.

"There are cases in an increasing number of herds and an increasing proportion of these herds have lost more than one animal," he said.

He insisted that the safety measures undertaken by the Government already would protect the health of the public.

In addition, Mr Gummer announced increased compensation for poultry farmers ordered to slaughter salmonella-infected flocks, although he gave no details.

Earlier, Mr Gummer was greeted on arrival at Kensington town hall in London by farmers protesting over the Green Pound, the artificial *exchange rate at which EC* farm prices are translated into sterling. British farmers face a disadvantage because the Green Pound is overvalued in relation to sterling.

But he opened his speech by assuring delegates that he had always attacked the green pound and had never supported it.

"It is wholly unacceptable that the producers of any country within a Common Market should get less for their products than their competitors simply because of monetary arrangements," he said.

But he pointed out that he was having to negotiate in Brussels with "11 countries whose farmers have an advantage under the present green pound rates." It would be an uphill struggle, for while "we, rightly, see a devaluation of the pound as reducing a disadvantage borne by British farmers, it is too easy for others to *see it as a special favour*, purely for our benefit."

Nevertheless, the Government's objective was clear – in the single market of 1992 and beyond, there was no place for the Green Pound, he said.

Mr Gummer said that reforms would have to continue beyond 1992 with the aim of building a market where all farmers operated under the same rules. He pointed out that costs were also a major source of inequality as UK poultry producers knew. If we *had to* pay more to make our eggs safer, our competitors ought to bear the same cost, he said.

Nevertheless, farmers still had to ensure that they could meet the growing demand for high quality food. "If British farmers do not meet the demands of the consumer for top quality produce, we can be sure that French and German farmers will."

MR GUMMER was urged to take a more positive attitude to the profitability of farming by Sir Simon Gourlay, NFU president. "Apparently it's sinful if farmers make a profit, wonderful if everybody else does," Sir Simon told delegates. He said that over the last 10 years the Retail Price Index had risen by 103 per cent, while farm gate prices had risen by "a mere 44 per cent."

In the same period, electricity prices had risen by 109 per cent, rail fares by 142 per cent and water prices by 162 per cent; these were likely to rise by 5 per cent over the RPI in the next few years. "We farmers will have to absorb those increases and at the same time receive less for what we *produce. It is not surprising* that *our return* on capital is derisory and year by year our investment is falling."

Norway's salmon rise seen slowing

By James Buxton, Scottish Correspondent

SCOTTISH SALMON farmers were told by a leading figure in the Norwegian salmon-farming industry yesterday that Norway's *salmon* output will grow more slowly in the next two to three years, but it is still expected to exceed current levels.

Mr Paul Birger Torgnes, secretary general of the Norwegian Fish Farmers' Association, was addressing the annual Scottish fish farming conference in Edinburgh after a year in which overproduction of Atlantic salmon by Norway, the dominant producer and exporter, has sharply depressed prices for all salmon-producing countries.

This led to the introduction last month of an intervention buying system in Norway financed by an export levy, and recently triggered an inquiry by the European Commission into allegations by Britain and *Ireland that Norway has been* dumping salmon on international markets.

Mr Torgnes said that recently-introduced measures to freeze about 40,000 tonnes of Norway's expected output this year of 150,000 tonnes now appeared to be working, after some delay in getting the freezing *plants in action.*

The aim was to get prices up to a minimum delivered price of NKr40-42 (about £4.50) a kilogram. Effective prices last year fell by up to 30 per cent, affecting confidence in the rapidly-growing industries on both sides of the North Sea.

He said that reluctance by Norwegian banks to finance further expansion of salmon farming in view of the price collapse would help hold down expansion, as would measures to limit the transfer of young salmon or smolt to cages in the sea, and the Norwegian Government's cancellation last year of a new round of licensing sites for salmon farming.

He said that production in the next *two to* three years would level out at between 180,000 and 200,000 tonnes. Nevertheless the Norwegian fisheries minister had said he still expected production to grow thereafter at 10 to 20 per cent a year.

Mr Torgnes said that salmon consumption should in future *increase faster* than production as the fish's qualities in preventing heart disease became more widely known.

He envisaged the development of a two-tier market, with the highest quality fish being sold to the fresh fish market and the more ordinary fish being processed and packaged for mass markets. The challenge for the industry would be "to communicate directly with the individual consumer" rather than the wholesale market.

Lord Sanderson, the Scottish agriculture minister, said that Scottish salmon output had risen from 18,000 tonnes in 1988 to 28,500 tonnes in 1989, a rise of 37 per cent. By 1991 it was projected to reach 37,000 tonnes and 40,000 tonnes the *following year.*

He also said that production of farmed shellfish in Scotland had not taken off in the way that the industry had been hoping for.

Ministers tentative on EC farm price plans

By Lucy Kellaway in Brussels

A FIRST tentative step towards new price agreements for agricultural products was taken by European agriculture ministers after a two day meeting in Brussels.

At a session described by one onlooker as "unusually low key" member states outlined their positions with a view to reaching final decision on the 1990-91 prices of everything from cereals to beef to dried fruit. British diplomats said that the meeting left the Irish presidency on course for reaching agreement by the end of March, although other countries seemed doubtful whether *so many loose ends could be* tied up by then.

In most areas there was little disagreement as to what amounts to a price freeze, although many of the technical details still propose problems.

In the case of cereals, member states discussed ways of reducing the hardship caused *by the so-called budget* stabiliser, which automatically reduces prices by 3 per cent in the second year. A proposal to abolish the co-responsibility levy – which covers the storage of grain – appeared to be acceptable to most member states, although there was little agreement on what measures, if any, would be needed to replace it.

A plan by the Commission to scrap the present flexible system of subsidies for small farmers in favour of a community-wide system – under which only farmers with less than 20 hectares would be eligible – proved universally unpopular. It Britain it would mean that farmers would not get any aid at all.

The Southern European *member states expressed* concern at the Commission's plan to cut prices of fruit and vegetables by 7.5 per cent, even though most other countries accepted that a cut was necessary to bring supply and demand into balance.

Stocks problem halted rubber quotation

THE LONDON Rubber Trade Association's decision to stop quoting spot prices for RSS No 1 (ribbed smoked sheet) reflects the absence of stocks on which to base the price, Mr Hugh Proctor, the vice chairman explained yesterday, reports *Reuter*. The LRTA decided to stop daily spot quotes of the grade at a committee meeting last week, along with weekly fixes for *Standard Malaysian Rubber.*

Gold loan default fears 'overdone'

By Kenneth Gooding, Mining Correspondent

CONCERN THAT there would be a large number of defaults following the rush by mining companies to raise gold loans in recent years has been overdone, according to Ms Jessica Jacks, gold analyst with the RTZ Corporation, the world's largest mining group.

"There is little chance of a gold loan failure causing a price squeeze in the physical market as a mining company attempts to cover loan repayments it cannot meet from its own production," she says in a paper prepared for RTZ.

So *far only* two, relatively small, gold loan defaults have been made public, while two other loans that seemed to be in danger were restructured. *All four involved Canadian* companies.

"The gold loan industry as a whole has been very successful, with only a few failures. *The amount of gold associated* with the four known defaults is insignificant compared with the tonnage of loans completed and those that have already been paid back," says Ms Jacks.

The system involves a miner borrowing gold from a bank or banks, selling it for immediate cash to use for a new mine or expansion and then paying back in gold over several years. Borrowing costs are low, Ms Jacks says they have ranged from 0.5 per cent to 3 per cent a year, and this can also be paid in gold.

At the height of the gold *loan rush in 1988, Mr Robin* Leigh-Pemberton, then Governor of the Bank of England, issued a public warning about the number of banks and intermediaries *with little* knowledge of the gold market becoming involved.

More recently there have been market rumours that a number of mining companies were having production difficulties which might lead to defaults which would add up to a substantial tonnage of gold. However, Ms Jacks says there seems to be no foundation for these suggestions.

The recent resurgence in the *gold price has seen gold loan* activity dry up. Ms Jacks suggests that mining companies will start to sell gold forward for hedging purposes and raise new *gold loans* once the price reaches the $425 to $430 a troy ounce range.

The average weighted price *achieved* for the known gold loans in the past was $420 an ounce, although some companies locked in far higher prices.

Ms Jacks suggests that gold loans are now so important they ought to be included in any assessment of the gold market's supply-demand balance and the size and value of the gold loan business, as well as changes in its structure, should be accounted for.

She concludes that gold loans put a downward pressure on the price because the market has to absorb the gold in a comparatively short period. This should be balanced by a longer-term positive impact because future gold production goes to the bank rather than to the market. In reality, because loans are paid back gradually over a number of years, the "beneficial impact on the price is likely to be less pronounced than the original negative *impact,*" says Ms Jacks.

The Growth of Gold Loans

	Number of new loans	Drawdowns less paybacks	Outstanding loans
1990	1	-62.6	254.1
1989	39	49.3	316.1
1988	84	150.6	266.8
1987	36	57.5	116.2
1986	12	17.2	58.7
1985	20	38.3	41.5
1984	4	3.2	3.2

Source: RTZ

Laying the groundwork for good coffee

David Blackwell talks to the man in charge of tasting at Nestlé

GOOD COFFEE is hard to come by in spite of the lowest prices for 14 years, according to Mr Hayden Bradshaw of Nestlé.

As chief coffee taster for the company, which has 50 per cent of the UK's instant coffee market, he remains puzzled by the fact that top quality coffee has for years attracted a premium of only about 20 per cent over the average product. He points out that the best tea can be four times the price of *the poorest, and the best wines* fetch a much higher multiple.

"Nobody has explained satisfactorily why – but it's something to do with the quota system," he said in the tiny room in Croydon where samples from all the coffee coming into the UK for Nestlé are tasted. The export quota system – the mechanism chosen by the International Coffee Organisation to try to stabilise world prices – collapsed last July.

Part of the reason for the demise of the quota system was its rigidity in the face of changing Western tastes. Consuming countries in the organisation, led by the US, were determined to get more of the top quality arabica coffees which their consumers were seeking in preference to the coarser robustas.

Figures for the UK show the trend. In 1980 two thirds of imports were robustas and a third arabicas; last year only 40 per cent were robustas, and 60 per cent arabicas. The increasing discrimination of consumers has arisen partly because *people now drink coffee with* less, or no milk and sugar.

The British have been buying instant coffee for 50 years, probably because the UK is predominantly a tea culture and there has been no tradition of brewing coffee. Australia and Japan are similar markets.

The British coffee market is dominated by the instant coffees, which take 92 per cent. Once the coffee beans have been accepted, a different set of tasters make up the blend. "A jar of Nescafé has to taste the same, but buying coffee beans direct is totally variable," said Mr Bradshaw.

He is critical of the way the British treat ground coffee, and has a particular aversion to percolators – asserting that the best instant coffees make a much better drink than a percolator.

If coffee was not maltreated (he is aghast that some people actually reheat coffee in a microwave oven), consumption might increase in the UK as people asked for a second cup, he believes. He has often left *scribbled notes on restaurants'* table napkins either criticising or praising the quality of the coffee.

Mr Bradshaw and a team of four carry out their responsibilities for the continuing supply and grading of all Nestlé's coffee with a combination of science and artistry. They have to match all the incoming samples against the standard grades that keep the tastes of the company's different instant coffees consistent.

Meticulous records are kept. "It's all on what it tastes like – we never have a description or know the origin, shipper or supplier."

The science is applied at the roasting and grinding stage – consistency is maintained with the help of the only computer-controlled roaster in the country, which helps to ensure that all the green coffee beans are treated exactly the same before the artistry of the tasting. A bag from each load is kept so that disputes with a suppliers can be settled by referring back to original samples.

Mr Bradshaw brings 30 years of experience to the tasting and confesses a partiality *for* Kenyan mild, which he describes as fruity and aromatic. Kenya is alone in holding auctions for its coffee, so that the buyer is directly rewarded for a quality product.

Robusta coffee, while a lot coarser, has a lot more body which is useful in the blending process. Brazilian has a slightly acidic feel.

"Fortunately, there is no set convention on what tastes good," said Mr Bradshaw. "What is good is quality."

WEEKLY METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,750-1,800 (1,725-1,780).

BISMUTH: European free market, min. 99.99 *per cent*, $ per lb, tonne lots in warehouse, 3.90-4.20 (3.90-4.30).

CADMIUM: European free market, min. 99.5 per cent, $ *per lb, in warehouse, 4.60-4.75* (4.60-5.00).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.70-7.85 (7.65-7.85).

MERCURY: European free market, min. 99.99 per cent, $ *per 76 lb flask, in warehouse,* 230-240 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.65-2.70 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 5.50-6.10.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 40-58 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 2.30-2.45 (2.30-2.40).

URANIUM: Nuexco exchange value, $ per lb, UO, *9.00* (same).

Sugar deficit

F.O. LICHT, the West German statistics agency, has forecast a world sugar deficit of 157,000 tonnes (raw value) in 1989-90 (September/August), traders said, reports Reuter. In its second sugar balance for this season, Licht put world production at 107.91m tonnes, up from 104.71m for last season, and consumption at 108.07m tonnes, up from 107.55m in 1988/89.

WORLD COMMODITIES PRICES

LONDON MARKETS

NICKEL prices closed just below the day's highs on the LME as consumer demand emerged from the US, the Far *East and Europe. There are now signs* of some consumer restocking, particularly in the US, following fresh demand from Japanese steel mills, traders said. Three-month metal *followed up Monday's rise of $155* a tonne with a $390 rise at the close, taking it to $6,885 a tonne. The rise gathered momentum after the breach of $3 a lb ($6,600 a tonne) in the *morning, and some analysts are* looking for a run-up to $7,400 before any concerted fresh selling is likely to emerge. Copper prices fell in wary trading following what appeared to be a key chart reversal on Comex on Monday. Coffe prices failed to move higher following news of rain in Brazilian growing areas.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.57-6.66z	+.215
Brent Blend	$19.57-9.63z	+.275
W.T.I. (1 pm est)	$22.10-1.15z	+.450
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$223-225	-1
Gas Oil	$175-177	+3.5
Heavy Fuel Oil	$90-91	
Naphtha	$198-200	
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$419.25	
Silver (per troy oz)♣	535c	+3
Platinum (per troy oz)	$518.25	+5.00
Palladium (per troy oz)	$136.00	+0.50
Aluminium (free market)	$1415	-10
Copper (US Producer)	103⅝-105c	
Lead (US Producer)	40.5c	
Nickel (free market)	316c	+15
Tin (Kuala Lumpur market)	16.64r	
Tin (New York)	287c	-2
Zinc (US Prime Western)	65¼c	
Cattle (live weight)†	107.85p	-1.57*
Sheep (dead weight)†	201.25p	-4.22*
Pigs (live weight)†	87.10p	+2.24*
London daily sugar (raw)	$360.6x	-4.4
London daily sugar (white)	$432.5x	-4.5
Tate and Lyle export price	£329.0	-0.5
Barley (English feed)	£112.50	-.25
Maize (US No. 3 yellow)	£127.5	
Wheat (US Dark Northern)	£129	
Rubber (Mar)♥	55.50p	
Rubber (Apr)♥	56.50p	
Rubber (KL RSS No 1 Mar)	231.0m	-0.5
Coconut oil (Philippines)§	$375.0x	-17.5
Palm Oil (Malaysian)§	$257.5	-7.5
Copra (Philippines)§	$250	
Soyabeans (US)	£159	
Cotton "A" Index	76.40c	+.60
Wooltops (64s Super)	552p	-4

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Feb/Mar. t-Mar/Apr. v-Jan/Mar. w-Feb. z-Apr. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low	
Mar	621	623	627	620
May	635	633	637	633
Jul	647	646	650	645
Sep	664	662	665	661
Dec	688	686	689	684
Mar	710	707	711	706
May	724	721	724	720

Turnover: 14761 (6717) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 12 757.71 (752.78) 10 day average for Feb 13 752.75 (753.11)

COFFEE – London FOX (£/tonne)

	Close	Previous	High/Low	
Mar	604	599	611	597
May	608	608	617	602
Jul	619	625	627	615
Sep	632	638	639	630
Nov	647	655	655	646
Jan	664	667	670	663
Mar	682	685	685	680

Turnover: 7564 (4166) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 12: Comp. daily 66.46 (65.30). 15 day average 62.97 (62.70)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Mar	323.40	329.40	328.60	322.00
May	323.60	329.40	329.20	322.00
Aug	322.60	327.20	327.20	321.00
Oct	313.40	317.20	316.40	312.60
Dec	311.00	315.00		
Mar	290.80	294.60	293.00	
May	289.00	293.60	292.00	
White	**Close**	**Previous**	**High/Low**	
Mar	427.0	434.0	434.5	429.0
May	425.0	430.0	431.0	423.0
Aug	426.0	430.0	427.5	426.0
Oct	391.0	396.0	392.0	391.5
Dec	366.5	372.5	369.0	369.0
Mar	360.0	366.0	363.5	363.5
May	359.6	366.5	363.0	363.0

Turnover: Raw 5430 (2667) lots of 50 tonnes. White 3856 (3317)
Paris- White (FFr per tonne): Mar 2435, May 2440, Aug 2450, Oct 2285, Dec 2135, Mar 2110.

GAS OIL – IPE ($/tonne)

	Latest	Previous	High/Low	
Mar	172.00	169.25	173.50	170.50
Apr	167.75	164.75	168.50	166.00
May	165.00	162.25	165.25	163.00
Jun	164.50	161.00	164.75	162.50
Jul	165.50	162.50	165.50	163.00
Aug	167.50	163.75	167.50	165.00

Turnover 8217 (4445)lots of 100 tonnes

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low	
Apr	19.60	19.34	19.67	19.40
May	19.36	19.09	19.39	19.14
Jun	19.14	18.89	19.15	19.00
IPE Index	19.27	19.54	19.27	

Turnover: 5466 (5774)

JUTE
February/March c and f Dundee BTC $600, BWC $600, BTD $555, BWD $555; c and f Antwerp BTC $560, BWC $550, BTD $530, BWD $525.

COTTON
Liverpool-Spot and shipment sales for the week ended February 9 amounted to 603 tonnes against 436 tonnes in the previous week. Trading was very low during the week with only small orders made in West African growths.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 21,275 tonne
Cash	1417-9	1425-7		1416-8		
3 months	1433-5	1441-2	6900/6800	1433-4	1437-8	34,558 lots
Copper, Grade A (£ per tonne)						Ring turnover 26,300 tonne
Cash	1330-2	1354-5	1332/1330	1330-2		
3 months	1337-8	1358-9	1350/1336	1339-40	1344-5	60,847 lots
Lead (£ per tonne)						Ring turnover 5,300 tonne
Cash	443-5	447-9		444-5		
3 months	415-6	419-20	420/416	415-6	419-20	10,066 lots
Nickel ($ per tonne)						Ring turnover 1,368 tonne
Cash	6950-75	6625-65	6800	6800-50		
3 months	6890-900	6500-10	6900/6600	6750-75	6880-900	7,123 lots
Tin ($ per tonne)						Ring turnover 430 tonne
Cash	6200-25	6275-300		6200-10		
3 months	6330-50	6400-20	6380/6330	6340-50	6305-15	4,953 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 23,250 tonne
Cash	1354-7	1360-3	1364/1363	1363-4		
3 months	1351-2	1372-3	1372/1350	1357-8	1360-2	17,324 lots
Zinc ($ per tonne)						Ring turnover 500 tonne
Cash	1345-55	1380-90	1360	1360-5		
March 30	1335-45	1360-70		1340-50		903 lots

LME Closing £/$ rate:
SPOT: 1.6900 3 months: 1.6628 6 months: 1.6374 9 months: 1.6126

POTATOES – BFE (£/tonne)

	Close	Previous	High/Low	
Apr	183.0	181.0	184.8	179.5
May	207.6	207.0	207.5	203.5
Nov	106.0	100.0	104.0	104.0
Feb	125.0	140.0		

Turnover 736 (809) lots of 40 tonnes.

SOYABEAN MEAL – BFE (£/tonne)

	Close	Previous	High/Low
Apr	128.50	126.00	128.00
Jun	125.00	124.50	
Aug	124.50	124.50	
Oct	128.50	126.50	126.50

Turnover 27 (72) lots of 20 tonnes.

FREIGHT FUTURES – BFE ($10/index point)

	Close	Previous	High/Low	
Feb	1599	1595	1600	1593
Mar	1636	1625	1640	1630
Apr	1649	1635	1655	1639
Jul	1393	1390	1395	1390
Oct	1510	1520	1519	1515
Jan	1514	1508	1515	
BFI	1579	1579	1579	

Turnover 235 (263)

GRAINS – BFE (£/tonne)

Wheat	Close	Previous	High/Low	
Mar	112.35	112.60	112.70	112.20
May	116.35	116.70	116.70	116.10
Jun	118.50	118.85	118.80	118.50
Barley	**Close**	**Previous**	**High/Low**	
Mar	107.15	107.15	107.15	
May	109.55	109.65	109.55	
Mar	112.25	112.25	112.25	

Turnover: Wheat 231 (218), Barley 25 (27).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Feb	112.0	111.5	
Apr	117.0	116.3	116.0
Jun	117.0	115.6	
Aug	115.5	115.0	

Turnover 5 (15) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	419-419½	248-248½
Opening	420¾-421	249-249½
Morning fix	419.75	249.267
Afternoon fix	418.05	247.924
Day's high	421-421½	
Day's low	416¾-417¼	

Coins	$ price	£ equivalent
Mapleleaf	427-432	253-256
Britannia	427-432	253-256
US Eagle	427-432	253-256
Angel	430-435	255-258
Krugerrand	419-422	248-250
New Sov.	98¾-100¼	58½-60
Old Sov.	98¾-100¼	58½-60
Noble Plat	524.50-532.75	311.55-316.45

Silver fix	p/fine oz	US cts equiv
Spot	316.60	533.25
3 months	326.20	544.05
6 months	340.35	565.35
12 months	364.65	579.50

TRADED OPTIONS

Coffee	Mar	May	Mar	May
550	53	65		8
600	10	33	7	28
650		14	47	57
Cocoa	**Mar**	**May**	**Mar**	**May**
550	71	88	1	3
600	28	49	8	14
650	6	22	36	37
Brent Crude	**Apr**	**May**	**Apr**	**May**
1900	83	34	29	54
1950	50		51	
2000	23			

US MARKETS

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Feb	417.6	419.2	420.5	417.5
Mar	419.3	420.9	0	0
Apr	422.0	423.6	425.8	421.2
Jun	427.6	429.2	430.2	426.8
Aug	432.7	434.3	434.8	434.5
Oct	438.1	439.7	439.2	438.5
Dec	443.5	445.1	445.3	443.0
Feb	449.2	450.8	449.0	449.0
Apr	454.6	456.2	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Feb	516.5	517.9	0	0
Apr	522.5	523.9	525.3	521.6
Jul	528.0	529.7	530.5	528.0
Oct	534.0	535.7	536.5	534.0
Jan	540.5	542.2	542.0	539.5
Apr	548.0	549.7	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Feb	531.4	528.6	0	0
Mar	533.3	530.5	539.0	532.0
Apr	537.5	534.6	0	0
May	541.8	538.8	547.0	540.5
Jul	550.0	547.0	555.0	548.5
Sep	558.6	555.5	561.5	557.5
Dec	570.3	567.0	573.0	569.0
Jan	573.7	570.4	0	0
Mar	582.3	579.0	0	0
May	590.5	587.1	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	105.45	100.90	105.50	100.65
Mar	104.20	99.90	104.40	99.00
Apr	102.90	98.90	102.90	102.70
May	101.40	98.30	101.40	97.20
Jun	100.55	97.50	0	0
Jul	99.70	96.70	0	95.60
Aug	99.10	96.10	95.50	95.50
Sep	98.50	95.50	97.50	97.50
Oct	98.10	95.00	0	0
Nov	97.60	94.50	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	68.50	67.28	68.50	67.20
May	69.80	68.70	69.92	68.55
Jul	69.85	68.93	70.15	68.65
Oct	66.90	66.60	66.95	66.45
Dec	65.55	65.15	65.85	65.20

INDICES

REUTERS (Base: September 18 1931 = 100)

Feb 13	Feb 12	mnth ago	yr ago
1789.0	1784.6	1795.2	1932.5

DOW JONES (Base: Dec. 31 1974 = 100)

	Feb 12	Feb 9	mnth ago	yr ago
Spot	128.50	128.73	127.92	134.77
Futures	130.97	130.42	130.45	137.06

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Mar	22.25	22.03	22.44	22.05
Apr	22.10	21.84	22.24	21.90
May	21.97	21.68	22.06	21.75
Jun	21.80	21.44	21.88	21.54
Jul	21.57	21.21	21.58	21.32
Aug	21.37	21.00	21.37	21.10
Sep	21.22	20.84	21.22	20.92
Oct	21.11	20.73	21.11	20.86
Nov	21.06	20.67	21.06	20.78
Dec	20.92	20.63	20.95	20.74

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Mar	5730	5595	5795	5600
Apr	5660	5527	5680	5545
May	5585	5461	5590	5490
Jun	5510	5398	5510	5410
Jul	5490	5376	5490	5405
Aug	5535	5438	5540	5470
Sep	5645	5536	5660	5550
Oct	5700	5606	5700	5700
Nov	5780	5676	5780	5780
Dec	5810	5746	5810	5810

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	956	974	968	953
May	969	980	974	962
Jul	984	995	990	978
Sep	1001	1014	1007	998
Dec	1025	1036	1030	1017
Mar	1046	1055	0	0
May	1060	1070	0	0
Jul	1077	1095	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	86.55	86.27	87.50	85.30
May	88.28	88.06	89.40	87.15
Jul	89.71	89.72	90.90	89.00
Sep	91.40	91.00	92.00	90.25
Dec	93.10	93.00	93.75	92.25
Mar	95.00	95.00	96.00	95.50
May	97.00	97.00	0	0
Jul	99.00	98.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	14.56	14.94	14.87	14.55
May	14.58	14.90	14.82	14.53
Jul	14.45	14.77	14.66	14.44
Oct	14.03	14.31	14.24	14.03
Mar	13.33	13.60	13.50	13.33
May	13.18	13.48	0	0
Jul	13.10	13.40	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	203.40	197.65	203.75	198.10
May	196.30	192.95	197.50	194.00
Jul	192.90	189.75	194.10	190.60
Sep	189.50	186.50	190.80	188.40
Nov	185.90	182.70	186.00	184.00
Jan	181.95	179.25	183.00	182.75
Mar	181.95	179.25	0	0
May	181.95	179.25	0	0
Jul	181.95	179.25	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	564/0	565/2	568/4	563/4
May	576/2	578/0	579/2	575/4
Jul	588/2	590/0	591/4	588/0
Aug	591/4	592/6	594/6	591/4
Sep	590/6	591/6	593/4	590/6
Nov	596/2	596/6	599/2	595/0
Jan	605/4	606/4	608/4	605/4
Mar	616/0	616/0	618/4	615/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	19.66	19.66	19.79	19.52
May	19.98	19.98	20.06	19.88
Jul	20.16	20.16	20.24	20.00
Aug	20.13	20.17	20.22	20.02
Sep	20.12	20.19	20.25	20.06
Oct	20.12	20.16	20.20	20.04
Dec	20.22	20.22	20.30	20.10
Jan	20.15	20.15	20.10	20.20

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	165.7	166.5	166.7	165.4
May	169.8	170.2	170.5	169.4
Jul	173.1	173.6	173.9	172.8
Aug	174.9	175.3	175.6	174.7
Sep	176.9	177.3	177.4	176.4
Oct	178.0	178.7	178.7	178.0
Dec	180.7	181.3	181.5	180.4
Jan	182.0	182.0	182.0	182.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	241/6	242/0	242/6	241/2
May	248/0	247/6	249/0	247/2
Jul	252/0	252/0	253/0	251/4
Sep	249/6	249/2	250/4	249/4
Dec	246/0	247/0	248/0	245/4
Mar	252/4	253/2	254/0	252/0
May	258/0	257/0	258/0	258/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	385/4	390/0	389/4	385/2
May	365/2	369/0	369/4	364/0
Jul	347/4	348/6	349/2	347/0
Sep	354/0	354/4	355/4	354/0
Dec	365/6	366/2	367/0	365/2
Mar	373/0	373/0	373/0	371/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	79.57	79.67	79.75	79.39
Apr	77.42	77.57	77.65	77.30
Jun	72.47	72.47	72.65	72.22
Aug	70.97	71.02	71.10	70.80
Oct	72.32	72.37	72.47	72.10
Dec	73.00	73.05	73.05	72.85
Feb	73.00	73.00	73.00	72.90

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	49.77	49.27	49.90	49.40
Apr	47.67	47.30	47.70	47.35
Jun	52.80	52.47	52.90	52.47
Jul	52.55	52.25	52.65	52.17
Aug	51.00	50.60	51.00	50.70
Oct	46.47	46.17	46.50	46.20
Dec	46.75	46.52	47.00	46.70
Feb	47.00	46.77	47.25	46.80

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	49.60	49.55	50.55	49.20
Mar	49.62	49.67	50.90	49.45
May	50.92	51.25	52.05	50.70
Jul	51.22	51.57	52.47	51.05
Aug	49.20	49.60	50.40	49.10
Feb	54.40	54.65	55.15	54.40
Mar	54.60	54.60	0	0

LONDON STOCK EXCHANGE

Equities overcome rash of bad news

ANOTHER round of bearish developments both at home and abroad checked but failed to halt a determined rally in UK equities yesterday. Strategists said London was helped by Wall Street's relatively calm response to bad news from the US junk bond sector and by a restrained performance from Tokyo overnight.

The Footsie 2,300 mark was almost recaptured in early trading and share prices were moving upwards again at the close after throwing off the effects of the further deterioration in German bonds, a $100m loan default by Drexel Burnham Lambert, the US securities firm which also disclosed that its board was about to consider filing under Chapter 11 of the US bankruptcy code, and a profits warning from a leading UK industrial materials and building group.

Account Dealing Dates		
First Dealings: Jan 29	Feb 12	Feb 26
Option Declarations: Feb 8	Feb 22	Mar 8
Last Dealings: Feb 9	Feb 23	Mar 9
Account Day: Feb 19	Mar 5	Mar 19

New time dealings may take place from 9.00 am two business days earlier.

The final recovery was all the more surprising in that the earlier gain of more than 12 Footsie points had been wiped out in mid-afternoon when Wall Street confidence was challenged by the announcement from Drexel Burnham Lambert. The FT-SE Index closed 6.3 higher at 2,293.2, having touched 2,299.4 at its best moment. Seaq trading volume increased to 435.3m shares from Monday's 337.4m but traders said that institutional business was once again very selective.

Once again, the market was futures-driven for much of the session, with the FT-SE futures contract falling to a small discount against the cash market before rallying to end the day at a six point premium. Equities were helped initially by a £100m trading programme weighted towards the buy side and operated by Smith New Court, the London marketmaking firm.

Several dealers at leading firms admitted to some surprise at yesterday's performance. "Any move below Footsie 2,300 still seems to bring in a few institutional buyers, no matter what bad news there may be," was the comment from one trader at a leading US investment house.

The corporate reporting season made an uncomfortable start with a profits warning from English China Clays (ECC), the building materials group, which caused a heavy fall in the share price and also upset other shares in the sector. While poor news has been expected in this area, the ECC statement sparked off a re-examination of profit forecasts throughout the building share list. The gloom hanging over the sector deepened when Bryant Holdings, the housebuilder, disclosed that interim profits had been halved.

However, insurance shares moved higher again as formal approval for partnership control of Compagnie du Midi by Axa and Generali, the French and Italian insurance groups, reignited hopes for European takeover moves in the UK composites sector.

English China setback

English China Clays fell back as the company warned shareholders to expect lower profits this year, blaming "international economic conditions, accentuated by high interest rates in the UK." The news was not a total surprise but the shares, despite trading easier in recent weeks, still dropped 32 to 382p before rallying to close 28 down on the day at 386p.

Hoare Govett cut profit expectations for the year to September 1990 from £160m to £145m. BZW, the company's brokers, also lowered its forecast and is now looking for profits of £143m, down from the previous estimate of £165m.

Hoare's Mr Richard Rae said: "The international division had been expected to see a slight growth in its market but this has not occurred, and problems with the weather in Atlanta (US) and in South West England, which has disrupted production, have not helped."

He added: "Construction materials have also disappointed and housing sales are, not surprisingly, suffering in the current environment." ECC shares were also affected by the disappointing results from Bryant, in which ECC has a 29.1 per cent stake.

Midland ties

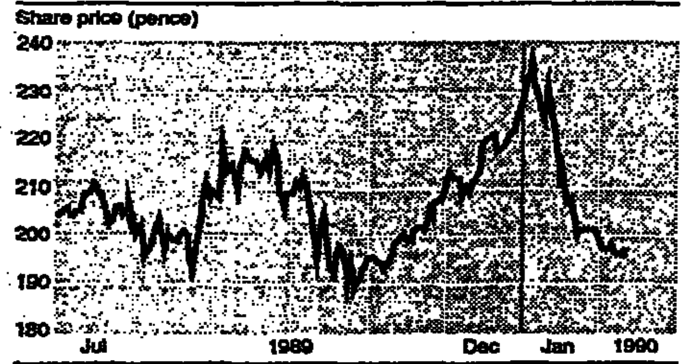
A joint statement from Midland Bank and Hongkong & Shanghai Banking Corporation regarding any tie-up between the two took much of the heat out of the Midland price. Midland shares, good performers along with those of the other high street banks during recent months, edged up to 372p before coming off to close a net 3 higher at 368p. Turnover was an unexceptional 1.7m shares.

The statement said they were discussing the form and nature of a closer business association. It was made, the banks said, following recent speculation over a possible merger between them. Hongkong & Shanghai has had a 14.9 per cent stake in Midland since December, 1987, and a three-year standstill agreement preventing an increase in the stake has been in place since then.

Recent speculation in the market has suggested that Hongkong & Shanghai might increase its holding, possibly to 29.9 per cent, with Bank of England permission, to help Midland increase its lesser developed country (LDC) provision to around the 70 per cent level. Lloyds and NatWest have increased their LDC provisions to around the 70 per cent mark. Midland's preliminary figures are expected on February 22.

Dealers were bemused by the statement: "It says nothing more than we already knew; Midland has to make increased LDC provisions and Hongkong want a merger with Midland."

British Airways



Airways firm

British Airways firmed ahead of third quarter figures today after some weeks of steady decline. The shares peaked at 240p early in January but then the company warned analysts to be cautious with their profit forecasts in the light of rising fuel prices. The shares have since fallen more by 10 per cent against the market.

The market range for today's profit figure is from less than £50m to £80m. BZW is at the top of the range, while County NatWest WoodMac is forecasting £56m and UBS Phillips & Drew, £55m.

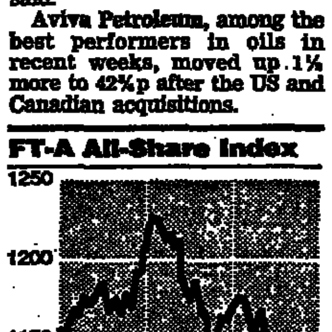
A flurry of buying interest late in the session boosted British Gas which closed a net 6¼ up at 229p after turnover of 6.9m. Much of the buying came from the US and was carried out by Kleinwort Benson.

Mr Phillip Lambert, of Kleinwort's oil team, noting the strong performance by water shares, said Gas shares were cheap relative to water stocks and stand at a level lower than that when the water stocks made their debuts. "They should be at a 100p premium to Thames Water, assuming 15 per cent dividend growth in Gas over the next five years," said Mr Lambert.

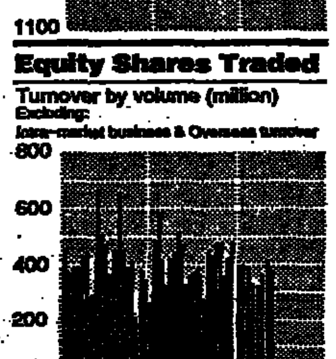
Mr Lambert also pointed to the yield differential between Gas and the market; "Why should Gas, at 6.2 per cent, yield 40 per cent more than the market, at 4.5 per cent?" he said.

Aviva Petroleum, among the best performers in oils in recent weeks, moved up 1¼ more to 42¾p after the US and Canadian acquisitions.

FT-A All-Share Index



Equity Shares Traded



Gestetner weakened on talk that the company would make a rights issue to fund an acquisition. The ordinary shares gave up 13 at 207p and the capital stock 17 at 213p.

Sketchley gained 4 more to 386p on hopes that rival dry-cleaning concern, Johnson Group Cleaners, or some other company, might counter the £138m share and cash offer made on Monday by Godfrey Davis, unchanged at 149p.

BET were a "dull market," according to one marketmaker, although the shares eased only 3 to 237p on turnover of 1.8m. Early speculation suggested that BET was considering a counter bid for Sketchley but later the story changed to BET buying the UK side of Blue Arrow.

Parkfield dipped 31 to 433p with some in the market believing that chairman Mr Falber had resigned. In fact it was a Mr Feldman, one of the company directors, who had resigned.

The water stocks attracted a flurry of support, based on their defensive merits. The biggest turnover was in North West following a lunch with County NatWest; some 3.9m shares changed hands as the price edged up 2½ to 155½p. Dealers noted strong support for Welsh Water, 6 up at 186p on 2.9m, and Yorkshire, the same amount firmer at 180p on 1.3m. Southern rose 4 to 154p, as did South West, to 188p. The Package added 20 to £1618.

Midland apart, there was little movement in the clearing banks, although Lloyds remained a resilient market. The shares held at around the 280p level on turnover of 4.7m.

The see-saw performance of the insurance sectors continued. Lifes moved higher with Prudential, rumoured last week to be considering a substantial rights issue, up 6 at 215p and Legal & General hardening to 394p. Composites, buffeted in recent weeks by analysts' profits downgrades prompted by the spate of floods and storms across the country, staged another rally as bulls of the sector highlighted the possibility of takeover bids from Europe. Guardian Royal Exchange, widely regarded as a potential target for Generali, the Italian group which has won approval from the French Stock Exchange to launch a joint venture with Axa Midi, reversed Monday's weakness.

The composites are scheduled to begin announcing preliminary figures at the end of the month and specialists are expecting warnings of sharply reduced profits for 1990 and forecasts of increasing reinsurance rates. As one observer put it: "The bid stories are premature; there will be agreed mergers rather than bids, and these won't take place for around eighteen months."

Sedgwick, the insurance broker, eased a penny to 284p on turnover of 3m shares with dealers pointing out that the stock had featured in the mid-morning programme trade.

The sale by NatWest Bank of its 9.16 per cent stake in Blue Arrow pushed the latter's shares better. They reached 89p at one point before subsiding to 87½p, up 1¼ on the day. Dealers said the reason was the disappearence of the shares overhanging the market.

The shares were sold at about 86p a share, compared with the 166p rights issue price at which the bank acquired its stake in 1987. Blue Arrow said the shares had been bought by a US institution, and some dealers suggested this might be South Eastern Asset Management of Tennessee. The purchaser must reveal itself within five working days.

Bass bounced from a 10-month relative low against the market to 978p, up 20 on the day. Sentiment continued to be helped by Monday's 198-page buy recommendation from brokers Panmure Gordon.

Second-line brewers had a bad day as Mr Mike McCarthy of Smith New Court took a bearish stance on the sector. He said that as the whole industry restructured in the wake of the Monopolies and Mergers Commission ruling last year, discounts to the free trade, as opposed to houses tied to specific brewers, were increasing. "If some of the main brewers were to get bigger, they would use their size to increase market share." The regional brewers would be less able to respond to the pressure on their margins, he said. Worst affected yesterday was Wolverhampton and Dudley, down 9 at 404p, while Greenall Whitley slipped 5 to 220p.

John Mowlem shares were knocked at the outset by news that the group was making a £33m provision in its 1989 accounts for investment in the London City Airport. Mowlem built the Airport and has a 90 per cent stake in the project.

But Mowlem emphasised it would not affect the 1989 dividend, expected in eight weeks time, and the shares, down to 310p at one point, rallied to close a net 11 off at 342p.

The busiest of the food stocks was Tesco, which benefited from inclusion in the morning programme trade. Support was also prompted by a Kleinwort Benson buy note, whose analysts recently visited the company. Other brokers are expected to raise their forecasts in the coming days. The Kleinwort analysts said trading volumes had been strong and expected full year profits of £324m from £321m, while next year £385m was forecast, against £379m previously. "The company will offer earnings growth in the high teens over the medium-term, with a high degree of security," Kleinwort said. Tesco closed unchanged at 197p on 4.5m.

United Biscuits was also busy with 850,000 shares of the day's 3.5m volume believed to have been sold in the programme trade. The old talk about a European acquisition resurfaced and kept prices on the defensive, although analysts dismissed the suggestions. "It's premature to talk of acquisitions," said one. Suggestions that Tesco could be set to squeeze some of its suppliers, including UB, was also said to responsible for some of the day's losses. UB finished 4 lower at 339p on 3.5m.

Carlton Communications ran ahead quickly in the wake of presentations last week to Japanese investors. The shares peaked 778p before closing only a penny high on balance at 771p.

Carlton has presentations to fund managers next week at Laurence Prust and a US brokerage. Mr Keith Woolcock at Laurence Prust said he thought the company would announce its intention to give a breakdown of profits with its figures. Some analysts have said that the lack of detail on the company's figures added to the uncertainty surrounding the stock.

Reuters revealed full-year profits in line with expectations at £283.1m, against £215.4m last time. The shares edged 4 better with the market to 1040p. Mr Brian Sturgess at BZW said that several one-offs, such as a falling tax charge, dampened any enthusiasm.

■ Other Market statistics, including the FT-Actuaries share index, London Traded Options, and recent issues (including the water issue stocks) Page 25

NEW HIGHS AND LOWS FOR 1989/90

NEW HIGHS (39). CANADIANS (1) BANKS (2) STORES (1) ELECTRICALS (2) INDUSTRIALS (4) Baris Hldgs., RCO, Securiguard, Sybone, INSURANCE (1) LEISURE (2) PROPERTY (1) TEXTILES (1) TRUSTS (2) WATER (1) OILS (5).

NEW LOWS (80). CORPORATION LOANS (2) AMERICANS (3) CANADIANS (1) BANKS (2) BREWERS (2) BUILDINGS (3) CHEMICALS (1) STORES (6) ELECTRICALS (3) ENGINEERING (7) FOODS (1) HOTELS (1) INDUSTRIALS (18) Allied Partnership, Alumasc, Bridon, Brown & Tawse, CMB Packaging, Cargo Control, Cookson, De La Rue, Ensor Hldgs., Gestetner, High-Point, Lilley (FJC), Nororos, RKF, Sale Tilney, Savage, Stormgard, Utd. Guarantee, INSURANCE (1) LEISURE (2) MOTORS (2) NEWSPAPERS (2) PAPERS (6) PROPERTY (6) SHOES (1) TEXTILES (3) TRANSPORT (1) TRUSTS (6) OILS (1). THIRD MARKET (2).

FINANCIAL TIMES STOCK INDICES

	Feb 13	Feb 12	Feb 9	Feb 8	Feb 7	Year Ago	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
Government Secs	81.11	80.89	81.15	81.26	80.90	88.96	89.29 (8/2/89)	80.80 (7/2/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	90.98	91.34	91.35	91.46	91.25	97.87	99.59 (15/3/89)	90.85 (26/1/90)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1818.1	1810.6	1830.7	1845.3	1826.2	1676.0	2008.6 (5/9/89)	1447.8 (3/1/89)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	328.8	344.2	367.7	372.5	375.1	163.0	378.5 (6/2/90)	154.7 (17/2/89)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2293.2	2286.9	2313.6	2331.0	2307.4	2049.1	2463.7 (3/1/90)	1782.8 (3/1/89)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.73	4.75	4.70	4.66	4.71	4.35				
Earning Yld %(full)	11.44	11.48	11.35	11.26	11.37	10.84				
P/E Ratio(Net)(☆)	10.58	10.54	10.66	10.75	10.64	11.21				
SEAQ Bargains(5pm)	24,025	24,580	28,988	25,036	23,375	27,508				
Equity Turnover(£m)†	-	658.44	774.46	761.29	789.77	1361.69				
Equity Bargains†	-	25,200	28,425	24,713	23,739	37,609				
Shares Traded (ml)†	-	377.5	413.2	369.6	328.0	521.0				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.53

Ordinary Share Index, Hourly changes — Day's High 1821.2 — Day's Low 1811.2

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1815.6	1820.2	1820.7	1818.4	1818.7	1817.5	1816.9	1816.3

FT-SE, Hourly changes — Day's High 2298.4 — Day's Low 2285.8

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2292.9	2298.3	2299.0	2295.4	2294.6	2291.6	2290.8	2286.0

GILT EDGED ACTIVITY

Indices*	Feb 12	Feb 9
Gilt Edged Bargains	86.2	91.0
5-Day average	88.6	85.5

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.

London report and latest Share Index Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
AGT	1,200	191½	+½	Comm. Union	654	501	+9	Lloyds Bank	4,700	280	+1	Sedgwick	3,000	284	−1
ASDA Group	4,500	105		Cookson	379	243	−3	LASMO	530	655	+1	Shell Transport	1,800	474	+2
Abbey National	3,100	178½	−2½	Courtaulds	3,800	387	+5	Lonrho	508	275	−1	Siebe	1,300	413	−5
Allied-Lyons	829	473	+1	Dalgety	765	378	−1	Lucas	820	598	+7	Slough Ests	485	300	−3
Amstrad	230	55	+1	Dixons	1,200	129		MB Group	4,400	215	−1	Smith (W.H.) A	316	325	−1
Argyll Group	436	205	−1	Eng. China Clays	1,700	385	−28	MEPC	350	486		Smith & Nephew	1,800	118½	
Ass. Brit. Foods	287	397		Enterprise Oil	354	660	−1	Marks & Spencer	5,800	202	−2	SmKl Beecham	1,500	531	−4
BAA	1,000	372½	+5½	FKI	1,700	63	−2	Maxwell Comm.	788	208	−1	SmKl Beecham Units	51	2480	−13
BAT Inds.	3,100	806		Ferranti	2,100	40	+1	Mecca Leisure	189	149		Smiths Inds.	97	239	−1
[illegible]															
British Airways	2,200	198	+3	Hanson Warrants	557	57		Rank Org.	282	768	−2	Trusthouse Forte	1,100	284	+3
British Gas	6,900	229	+6½	Harrisons Cros.	239	147	+1	Reckitt & Colman	321	1176	+2	Ultramar	1,700	372	+6
British Land	290	363	−13	Hawker Sidd.	275	642	+3	Redland	1,700	553	−4	Unigate	661	300	−3
BP	4,000	339	+1½	Hillsdown	2,800	282	−1	Reed Intl.	143	417	+1	Unilever	745	649	−2
British Steel	3,500	133		IMI	100	217		Reuters	1,900	1040	+4	United Biscuits	3,500	339	−4
British Telecom	4,800	304	+2	ICI	1,800	1075	+1	Rolls Royce	3,400	174		Utd. Newspapers	777	398	−3
Bunzl	333	105		Inchcape	1,100	273	−1	Rothmans	8	638	−2	Wellcome	135	679	−3
Burmah Oil	67	651	+1	Jaguar	11	849		Ryl Bk Scotland	5,200	187		Whitbread "A"	777	379	−1
Burton	328	184	+3	Kingfisher	1,000	275	+1	Royal Insurance	944	506	+8	Williams Hldgs.	1,900	245	−2
Cable & Wire.	990	544	+2	Ladbroke	1,300	300	+2	STC	2,000	282	+1	Willis Faber	1,200	264	+1
Cadburys	1,300	337	−2	Land Securities	156	485	−3	Saatchi	510	225	+2	Wimpey	1,300	251	−4
Calor Group	51	359		Laporte	57	510	−1	Sainsbury	374	257					
Carlton Comms.	1,000	771	+1	Legal & General	1,000	384	+1	Scottish & New.	636	323	−2				
Coats Viyella	1,800	127	+1	Lloyds Abbey	182	315	+2	Sears	2,000	103½	+1				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

BRITISH FUNDS—Contd

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

Continued on next page

APPOINTMENTS

Changes at Trusthouse Forte Hotels

■ Mr Alan J. Hearn has been appointed managing director of TRUSTHOUSE FORTE HOTELS, responsible for some 250 properties in the UK, Europe, Middle East, and the Caribbean. He was managing director of the catering division, and is on the main board. Mr Tony L. Monnickendam succeeds Mr Hearn as managing director of Trusthouse Forte Catering, responsible for over 1000 restaurants in the UK. He was managing director, catering and restaurants.

■ MEDEVA, the pharmaceutical company, has appointed Mr Bernard Taylor as its executive chairman. Mr Taylor, who was previously chief executive officer of Glaxo Holdings, succeeds Mr William Gerard who becomes non-executive vice chairman.

■ Mr Bernard Lovell has been appointed deputy chairman of 42 BERTH TILBURY, with special responsibility for marketing and customer liaison. He is succeeded as managing director by Mr Tony Bryant, former executive director of 44 Berth and 46 Berth. Mr Alec Faraway becomes the new executive director of 44 Berth and 46 Berth. All three Berth companies are part of the Port of Tilbury's conventional division and between them constitute the largest forest products terminal in the UK.

■ THE ILLINGWORTH, MORRIS GROUP has appointed Mr Geoffrey Ellam to the board; and Mr Michael J. Harris as a director of five subsidiaries, and company secretary of six, following the retirement of Mr J. Sweeting.

■ J.H. MINET & CO has appointed Mr Tad Brundage, Mr Khaldoun Khartabil and Mr Steve Quick to the board.

■ Mr Franz Kaspar has been promoted to group president, fluid connector group, PARKER HANNIFIN CORPORATION, at European headquarters, Hemel Hempstead. He was vice president, operations/GF, based in Bielefeld, West Germany.

■ BROADWAY CONSTRUCTION has appointed Mr Peter Hawes as executive and construction director.

■ Mr John Harper, group finance director of AVON RUBBER since last October, joins the board on March 1.

■ Mr R.T. Orriss and Mr N.P. Brown have been appointed directors of LONDON UNITED MARINE AGENCIES.

■ Mr Stuart Davies has been appointed sales and marketing director, ABLE INDUSTRIES, packaging subsidiary of the Robinson Group. He joins from CMB Packaging.

REA BROTHERS, private banking subsidiary of Rea Brothers Group, has appointed Mr Christopher Norland (above) as a director of its corporate finance division. He managed his own corporate finance company, Financial and Investment Services Corporation, whose business interests have been taken over by Rea Brothers, and previously was chief executive of Industrial Finance and Investment Corporation.

■ Mr Michael H. Goss has been appointed managing director of PWT PROJECTS, Isleworth, recently purchased from Portals Holdings by Thames Water.

■ THE TECHNOLOGY PARTNERSHIP, Cambridge, has appointed Dr Gerald Avison as managing director.

■ Mrs Jane Barker has been appointed chairman of BOWRING INFORMATION AND COMMUNICATION SYSTEMS in addition to her responsibilities as chief financial officer of C.T. Bowring & Co.

■ Mr George Luckraft and Mr Nigel Thomas have been appointed full board directors of JOHN CARRINGTON & CO.

■ Three new directors have been appointed to the casualty division of J. BESSO & CO. Mr Anthony R. Green becomes senior divisional director; Mr Antony Ainsworth is divisional director (contractors business) and Mr Clive Searle divisional director (technical back-up). All three directors join from Alexander Howden.

■ The SCARBOROUGH BUILDING SOCIETY has appointed Mr Iain Stewart as assistant general manager (finance & treasury). He was previously accounting services manager at the Toronto Dominion Bank in the City of London.

■ Ms Liz Martin-Rosenfeld has been appointed a director of SUMIT EQUITY VENTURES, a Birmingham-based venture capital company. She joined the company in 1986 as an investment executive.

LONDON SHARE SERVICE

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BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

WATER

[illegible]

For other Water Issues see London Recent Issues

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

MINES—Contd

[illegible]

THIRD MARKET

[illegible]

51	31	Sempernova........ y	31	......	–	–	–	6.8
39	20	Sleepy Kids 5p........ y	27	......	–	–	–	–
*17½	5	Staks Hldgs. 5p........	5½	......	–	–	–	13.0
*3½	1¼	Swanyard Studios 1p y	1½	......	–	–	–	7.2
50	28	Tavern Leis. 20p...... α	32	–1	♦	–	–	–
115	28	Tecnomus Leisure 20p y	84	......	–	–	–	32.0
113	35	UPL Group 10p........ y	53	......	‡2.75	1.9	‡	10.0
150	128	Unit Group........ y	148	+1	5.0	3.3	4.8	8.0
100	66	Video Magic Leis. 1p y	84	......	W2.0	0.7	3.2	67.3
19	4	Vista Ents 5p........ y	4	......	–	–	–	–
40	15	Vizcaya Hldgs 5p.. y	18	......	–	–	–	–
46½	23	Whitegate Leisure 20p. y	37½xd	–1	0.25	♦	0.9	♦
32½	10	Do. Wrrnts........ y	25	+1	–	–	–	–
10¼	4¼	Wilton Group 1p.... y	4½	......	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * *Highs and lows marked thus have been adjusted to allow for rights issues for cash*
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ *Not officially UK listed; dealings permitted under rule 535(4)(a)*
- ♣ *USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.*
- †† Not officially listed.
- ¢ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- † *Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.*
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a *Annualised dividend.* b *Figures based on prospectus or other offer estimate.* c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s *Dividend and yield exclude a special payment.* t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W *Pro forma figures.* Z *Dividend total to date.* Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... y	85	+2
Craig & Rose £1.. y	838	......
Finlay Pkg. 5p.... y	58	......
Holt (Jos) 25p..... y	1348	+8

IRISH

Cap. 8½% Ln. 1991	£96⅞	......
9pc Cap Ln. 1996..	£91½	......
Fin. 13% 97/02...	£110½	......
Arnotts..................	405	......
Carrol (P.J.J.)....... y	161	–2½
Hall (R. & H.)........	190	+5
Helton Hldgs......... y	100xd	......
IRG..........................	218	......
United Drug............	165	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons..............	42
Amstrad....................	6½
Astec (BSR)..............	5½
BAT..........................	67
BOC Grp....................	44
BTR..........................	37
Barclays....................	40
Blue Circle................	20
Boots.........................	23
Bowaters...................	39
Brit Aerospace...........	46
British Steel...............	9
Brit. Telecom..............	22
Cadburys...................	31
Charter Cons..............	42
Comm Union..............	48
Courtaulds.................	31
Eurotunnel.................	65
FKI............................	8
FNFC.........................	22
Gen Accident.............	92
GEC...........................	19
Glaxo.........................	60
Grand Met.................	44
Guardian...................	19
GKN..........................	33
Hanson......................	18
Hawker Sidd..............	55
ICI............................	90
Jaguar.......................	85
Ladbroke...................	25
Legal & Gen...............	31
Lex Service................	26
Lloyds Bank...............	21
Lucas Inds.................	54
Marks & Spencer........	26
Midland Bk................	26
Morgan Grenfell.........	38
Nat West Bk..............	23
P & O Dfd..................	51
Polly Peck..................	38
Racal Elect.................	28
RHM..........................	59
Rank Org Ord.............	72
Reed Intnl..................	34
STC...........................	25
Sears.........................	9
SmKl. Beecham A........	48
TI..............................	38
TSB............................	9
Tesco.........................	16
Thorn EMI..................	63
Trust Houses..............	23
T&N...........................	16½
Unilever.....................	57
Vickers......................	22
Wellcome..................	55

Property

Brit Land..................	27
Control Secs..............	5
Land Securities..........	45
MEPC........................	45
Mountleigh................	13

Oils

Brit Petroleum...........	25
Burmah Oil................	65
Charterhall................	2½
Conroy Petlm.............	9
Premier.....................	18½
Shell..........................	37
Tuskar Res................	12
Ultramar...................	28½

Mines

Lonrho......................	23
RTZ...........................	45

FT UNIT TRUST INFORMATION SERVICE

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	49.60	49.60xd	53.05	+0.18	5.16
Gilts & Fixed Int	6	105.9	105.9	112.3	+0.4	9.80
High Inc Equity	6	135.0	135.0xd	144.4	-0.6	4.40
Worldwide Bond	6	195.0	195.0xd	206.6	+0.4	6.24
Capital Growth						
American Growth	6	179.7	181.4xd	193.0	+0.4	1.13
Asian Pacific	6	126.1	126.1	134.9	+0.3	0.00
Assets & Earnings	6	156.3	156.3	167.2	-0.6	3.02
Capital Reserve Acc	0	88.60	88.60	88.67	+0.06	6.77
Capital Reserve Inc	0	78.61	78.61	78.68	+0.06	7.63
Comdty & Energy	6	114.5	114.5	122.5	-2.0	0.69
Dividend & Growth	6	46.75	47.76	50.81	....	4.43
1992 Enterprise	6	62.00	62.00	66.32	-0.32	2.44
Euro Capital Acc	6	99.47	100.2	106.6	-1.1	0.89
Euro Capital Inc	6	95.87	96.63	102.8	-1.0	0.92
General	6	175.4	175.4xd	187.6	-0.9	2.67
International	6	61.66	62.30xd	66.28	-0.37	0.75
Japan	6	115.4	115.4	123.5	-0.1	0.00
Mastertrust	6	90.29	90.29	96.57	-0.27	1.47
UK Growth Acc	6	181.1	181.1	193.7	-0.5	1.58
UK Growth Dist	6	119.7	119.7	128.1	-0.3	2.40
US Emerging Cos	6	51.99	53.31	56.72	+0.34	0.00
Income & Growth	6	301.1	301.1	322.1	-0.9	3.18
Ethical	6	48.35	49.61	52.78	+0.13	1.89

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5¼	31.16	31.16	33.27	-0.01	3.13
European	5¼	82.00	82.20xd	87.75	-0.79	0.00
European Income	5¼	79.38	79.41	84.77	-0.46	1.91
Exempt	1	742.3	742.3xd	771.9	-2.20	1.60
Extra Income	5¼	43.27	43.27	46.19	-0.19	4.23
F East Emerg Econs	5¼	63.64	64.58	69.16	+0.59	0.01
Fund Inv Tst	5	128.8	135.8	145.0	-0.70	1.59
Do Accum	5	201.9	213.0	227.3	-1.00	1.58

Brycourt Unit Tst Mgmt Ltd (1400)F
Hesketh Hse, Portman Sq, W1H 0JR 01-935 6382

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income Growth	1	192.1	192.1	199.0	-2.7	4.89

Buckmaster Mangmt Co Ltd (1200)H
The Stock Exchange, London EC2P 2JT 01-588 2868

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Emerging Grth	5	61.55	62.98	66.82	-0.25	2.77
(Accum Units)	5	63.74	65.22	69.20	-0.25	2.77
Fellowship Tst	5	62.63	62.63	66.27	+0.12	3.37
(Accum Units)	5	64.93	64.93	68.66	+0.12	3.37
General Inc	5	291.3	291.3	308.1	-0.5	3.42
(Accum Units)	5	499.2	499.2	527.9	-1.0	3.42
Income	5	158.7	160.1	169.9	-0.2	4.87
(Accum Units)	5	314.7	317.4	336.8	-0.5	4.87
International	5	109.2	109.2	115.5	-0.1	1.07
(Accum Units)	5	150.2	150.2	158.8	-0.1	1.07
Smaller Co's	5	107.0	108.7	115.3	+1.0	2.17
(Accum Units)	5	118.6	120.5	127.9	+1.1	2.17
Inv Portfolio	2½	53.34	54.21	55.89	-0.2	3.99
(Accum Units)	2½	55.92	56.83	58.59	-0.21	3.93
High Income Port	3	47.16	47.84	49.58	-0.16	6.38

Burrage Unit Tst Mangmt Ltd (0905)F
117 Fenchurch St, London EC3M 5AL 01-480 7216

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Stn Dtd Gilt & FI	1¼	56.01	56.01	56.80	+0.01	2.78

CCF Foster Braithwaite UT Mngt (1100)F
1 White Hart Yard, London SE1 1NX 01-407 5966

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
CCF Sel High Inc Eqty		-	-	50.00	.....	5.5
CCF Sel Intl Grth	5¼	48.23	48.23xd	51.91	-0.11	1.43
CCF Sel Inv Tst		-	-	50.00	.....	2.0
CCF Sel UK Sm Co's		-	-	50.00	.....	1.00

CCL Unit Trusts Ltd (1400)F
74 Shepherds Bush Green, W12 8SD 01-740 7070

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK General Tst	5½	53.42	54.61xd	58.09	-0.19	2.23
Global Tst	5½	45.91	46.37	49.33	-0.25	0.35
Recovery Tst	5½	46.92	48.33	51.41	-0.27	1.92

CIBC Unit Tst Managers plc (1200)H
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 01 234 6000

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Fd Acc	5	113.6	115.6	121.9	-0.3	3.82

CIS Unit Managers Ltd (1000)F
PO Box 105, Manchester M60 0AH 061 837 5060

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Growth	6	102.0	103.6xd	110.3	-0.3	2.34
UK Income	6	103.1	104.9	111.6	-0.3	5.58

CS Fund Managers Limited (1000)H
125 High Holborn, London WC1V 6PY 01-242 1148

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
CS America	5	60.25	60.25	64.09	+0.06	1.10

PK English Trust (Isr Man) Ltd (1000)F
12 Carthusian St, London EC1M 6EB 01-794 1200

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American†	4	59.47	60.10	62.83	.....	0.0
Far Eastern†	4	181.63	185.93	193.37	.....	0.1
Growth†	4	189.93	192.31	204.07	.....	3.1
Income†	4	140.00	141.73	151.00	.....	5.3
Scandinavian	4	77.19	79.15	82.32	.....	0.3

† Dealing Day: Wed. *Dealing day: Thurs.

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Thornton Unit Managers Ltd (1000)F						
33 Cavendish Sq., London W1M 7HF 01-493 7262						
Dealing 01-493 8545						
American Opps	5	47.23	48.26	51.47	...	1.04
(Accum Units)	5	48.56	49.47	52.97	...	1.04
European Opps	5	71.21	71.56	76.32	-0.30	0.00
(Accum Units)	5	71.60	71.95	76.74	-0.30	0.00
Far Eastern Opps	5	137.17	137.41	146.57	+0.42	0.00
(Accum Units)	5	138.04	138.29	147.50	+0.42	0.00
Golden Opps	5	46.66	46.64xd	49.74	-0.36	0.00
(Accum Units)	5	47.97	47.97xd	51.16	-0.36	0.00
Mkt Hi-Yield	5	57.68	58.22xd	62.09	+0.12	6.45
(Accum Units)	5	62.61	63.20xd	67.41	+0.14	6.45
Saigo Japan Tst	5	73.26	73.26	78.13	-0.41	0.00
(Accum Units)	5	73.26	73.26	78.13	-0.42	0.00
Kaleguard	5	32.89	32.89	35.07	+0.18	1.49
(Accum Units)	5	33.08	33.08	35.27	+0.18	1.49
Oriental Income	5	34.33	34.33	36.60	+0.11	5.12
(Accum Units)	5	38.48	38.48	41.03	+0.12	5.12
Pacific Technology	5	59.58	59.58	63.54	-0.42	0.00
(Accum Units)	5	60.07	60.07	64.06	-0.43	0.00
Tiger	5	147.48	147.84	157.68	-0.08	0.71
(Accum Units)	5	149.78	150.16	160.14	-0.08	0.71
UK Hi-Yield	5	43.34	43.34	46.22	-0.04	4.93
(Accum Units)	5	49.55	49.55	52.85	-0.04	4.93
UK Opps	5	56.16	56.54	60.47	+0.16	1.67
(Accum Units)	5	59.82	61.31	65.57	+0.17	1.67
Three Counties Asset Mngmt Ltd (1430)F						
Calbert House, Tower Rd, Washington NE37 2SH 091 415 3034						
Balanced Portfolio	6	92.48	93.70	99.68	-0.29	4.00
Touche Remnant Unit Tst Mngt Ltd (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4 01-248 1250						
4 Hourly Prices – 12 Noon Historic						
TR American Gwth	5¼	44.31	44.31	47.26	-0.15	0
TR Eur Sp Sits Acc	5¼	41.04	41.04	43.73	-0.24	0
TR Eur Sp Sits Inc	5¼	40.24	40.24	42.88	-0.23	0
TR General Growth	5¼	73.92	73.92xd	78.63	-0.79	2.84
TR Global Tech	5¼	70.27	70.27	74.95	-0.29	0
TR Income Growth	5¼	86.84	87.34xd	92.91	-0.25	4.51
TR Income Monthly	5¼	55.89	55.89	59.45	-0.20	6.65
TR Japan Growth	5¼	97.50	97.50	103.5	-0.30	0
TR Overseas Growth	5¼	67.04	67.04	71.52	-0.08	0
TR Smaller Cos	5¼	82.86	82.86	88.14	-0.06	2.48
TR Special Ops	5¼	94.31	94.31xd	100.3	-0.60	2.84
TR Mgd Eq Plan Acc	5¼	33.80	33.80	35.95	-0.10	2.35
TR Mgd Eq Plan Inc		31.70	31.70	33.72	-0.13	2.34
TR Wwde Sp Sit Acc	5¼	36.94	36.94	39.43	-0.06	0
TR Wwde Sp Sit Inc	5¼	36.91	36.91xd	39.36	-0.06	0
TR Pension Portfolio						
TR American Gwth	6	26.71	27.07	28.70	-0.01	0

	Bid Price	Offer Price	+ or -	Yield Gross
J. Rothschild Fund Managers Ltd				
Intl Exempt	145.3	147.8	.....	1.42
Stewart Ivory & Co Ltd				
Scots PPP Jan 31	264.6	278.6	.....	–
Closed to new business				
Thornton Unit Managers Ltd				
Managed Exempt Feb 1	102.42	108.03	.....	3.82
(Accum Units)	103.04	109.06	.....	3.82
Touche Remnant Unit Tst Mngt Ltd				
TR Exempt European	1120	1145	.....	1.98
TR Exempt Nth Amer	900	913	.....	3.37
TR Exempt Pac Basin	995	1006	.....	0

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
AA Friendly Society				
Investment Mngr M & G Inv Mngt Ltd				
AA Friendly Sy Feb 9	–	173.3	.....	–
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth 0202 292373				
Prop. Ser. 1	301.4	317.3	...	–
Equity Ser. 1	133.1	140.2	-0.1	–
Prop. Acc. Ser 2	464.7	489.2	...	–
Equity Ser 2	154.6	162.6	-0.1	–
Selective Acc.	348.1	366.5	-0.4	–
Prop. Ser. 4	362.9	382.0	...	–
Equity Ser. 4	156.1	164.4	-0.1	–
Man. Ser. 4	444.6	468.1	-0.7	–
Fixed Int. Ser. 4	215.3	226.7	-0.2	–
Indexed Inv. Ser. 4	141.4	149.0	-0.3	–
American Ser. 4	306.0	322.2	+0.6	–
Japan Ser 4	336.4	354.2	-0.3	–
European Ser 4	123.1	129.6	-1.1	–
High Inc. Ser. 4	464.1	488.6	-1.6	–
Money Ser. 4	242.4	255.2	+0.4	–
Intl Ser. 4	114.6	120.7	-0.6	–

OTHER UK UNIT TRUSTS

Continued on next page

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	Bid Price	Offer Price	+ or -	Yield Gross
National Financial Management Corp PLC				
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539				
Life Funds				
Managed Cautionary	104.8	110.4	----	-
Managed Growth	141.2	148.7	----	-
Managed Opportunity	145.5	153.2	----	-
NFMC Target Financial	101.7	107.1	----	-
Pension Funds				
Managed Cautionary	109.6	115.4	----	-
Managed Growth	145.8	153.5	----	-
Managed Opportunity	148.8	156.7	----	-
NFMC Target Mngd Pen	1531.5	1612.2	----	-
National Mutual Life				
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422				
Managed Fund	227.7	239.7	----	-
Managed Prospect Fund	191.0	201.1	----	-
Pens Managed	288.8	304.0	----	-
Pens UK Equity	345.9	364.2	----	-
Pens Overseas Equity	382.2	402.4	----	-
Pens Property	170.1	179.1	----	-
Pens Fixed Interest	176.5	185.8	----	-
Pens Index Linked	146.8	154.6	----	-
Pens Deposit	188.7	198.7	----	-
Harvester & P.R.P.				
UK Equity	151.1	159.1	----	-
Overseas Equity	136.8	144.0	----	-
Fixed Interest	120.5	126.9	----	-
Property	141.5	149.0	----	-
Index Linked	133.3	140.4	----	-
Deposit	130.9	137.8	----	-
Managed	145.5	153.2	----	-
With Profits	134.4	141.6	----	-
National Provident Institution				
48 Gracechurch St, London EC3P 3HH 01-623 4200				
Managed	342.9	361.0	-0.2	-
UK Equity	440.7	463.9	-0.3	-
Overseas Eq.	350.3	368.8	-0.7	-
Americas	254.4	267.8	-0.8	-
Far East	404.9	426.3	+1.5	-
Property	220.1	231.7	-0.1	-
Fixed Int.	219.2	230.8	+0.6	-
Indexed Gilt	138.7	146.0	+0.1	-
Deposit	159.3	167.7	----	-
Pension Fund (Accum Units)				
Managed	462.1	486.5	-0.2	-
UK Equity	546.7	575.5	-0.4	-
Overseas Eq.	567.4	597.3	-0.8	-
Americas	336.7	354.5	-0.8	-
Far East	675.5	711.1	+2.6	-
Property	270.3	284.6	-0.1	-
Fixed Int.	262.9	276.8	+0.6	-
Indexed Gilt	152.0	160.1	+0.1	-
Deposit	213.4	224.7	+0.1	-
NPI Pensions Management Ltd				
Managed Fund	1096.4	1116.0	----	-
Prices February 1 Next dealing March 1				
Norwich Union Asset Management Ltd				
PO Box 124, Norwich NR1 1JS 0603 683986				
NUAM Funds				
Managed Fund	65.4	68.8	-0.1	-
Stock Market Mngd Fund	64.1	67.5	----	-
Equity Fund	68.2	71.7	-0.1	-
International Fund	61.3	64.5	-0.1	-
European Fund	70.0	73.7	-0.1	-
North American Fund	55.9	58.9	-0.1	-
Pacific Fund	70.3	74.0	+0.1	-
Property Fund	85.8	90.3	----	-
Fixed Interest Fund	51.4	54.1	----	-
Index linked Sec Fund	57.2	60.2	----	-
Deposit Fund	60.8	64.1	----	-
NUAM Retirement Plans				
Mixed Fund	70.6	74.3	----	-
UK Ordinary Share Fd	78.7	82.9	----	-
International Fund	65.3	68.7	-0.1	-
Property Fund	84.6	89.0	----	-
Fixed Interest Fund	59.0	62.1	----	-
Index Linked Sec Fund	59.8	63.0	----	-
Deposit Fund	69.2	72.8	----	-
NUAM (MP)				
Managed Fund	921.8	970.4	-0.9	-
Equity Fund	1869.8	1968.3	-1.9	-
International Fund	161.5	170.0	-0.3	-
Property Fund	542.1	570.7	----	-
Fixed Interest Fund	384.4	404.7	+0.2	-
Index Linked Sec Fund	58.1	61.2	----	-
Deposit Fund	249.9	263.1	----	-

[illegible]

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

[illegible]

FT UNIT TRUST INFORMATION SERVICE

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Gartmore Luxembourg SA
23 Rue des Bruyeres L-1274 Howald Lux 010 352 491841

Gartmore Pantheon Fund

	Init Chrge	Bid Price	+ or −	Yield Grs
Nth Amer Equity	$–	1.97	-0.01	–
British Equity	£–	1.01		–
Nordic Equity	SKr–	11.04	-0.06	–
Cont'l European Equity	DM–	16.88	-0.22	–
Japan Equity	Y–	536	-5.00	–
Pacific Equity	Y–	371	-5.00	–
Developing Mkts	£–	1.01	-0.02	–
Natural Resources	$–	2.09	....	–
W'wide Recovery	$–	1.60	-0.01	–
Intl Equity	$–	1.36	+0.02	–
Dollar Bond	$–	1.97	+0.01	–
Sterling Bond	£–	1.09	....	–
European Currency Bond	Ecu–	1.46	....	7.43
Intl Conv Bond	$–	2.09	....	–
Dollar Reserve	$–	2.03	....	–
Sterling Reserve	£–	1.34	....	–
Deutschmark Reserve	DM–	5.05	....	–
Yen Reserve	Y–	505	....	–

Henderson Management SA
21-25 Allee Scheffer L-2520 Luxembourg
01-638 5757 or 010-352 462212

Henderson Horizon Fund

		Bid	Offer	+ or −	Yield
Japanese Portfolio	$–	15.25	16.11	-0.08	–
Japan Smlr Cos P'folio	$–	22.72	24.00	-0.11	–
Pacific Portfolio	$–	12.09	12.79	-0.03	–
Nth American P'folio	$–	4.55	4.82	-0.05	–
European Portfolio	$–	8.69	9.15	-0.11	–
UK Portfolio	$–	6.08	6.44	-0.04	–
Global Portfolio	$–	9.82	10.37	-0.09	–
Fixed Int Portfolio	£–	9.15	9.61	+0.03	–
Dollar Liquidity P'folio	$–	0.8522	0.8544	+0.02	–
Stlg Liquidity P'folio	£–	1.1658	1.1688	-0.03	–

Hill Samuel Investment Services Intl SA
Marktgasse 63/65, 3001 Berne, Switzerland 224051
Hill Samuel Global Portfolio

	Bid
Global Equity	59.47
Global Bond	57.32
[illegible]	[illegible]

NM Financial Mgmt Intl Ltd

	Bid Price	Offer Price	+ or −
Mngd. Currency	[illegible]	6.896	+0.015

NM Portfolio Selection Fund Ltd

	Bid Price	Offer Price	+ or −
Conscience	£1.064	1.131	-0.002
Far East Lmtd.	$1.796	1.485	-0.004
Smaller Co's	£0.987	1.049	-0.001
Special Sits	£0.991	1.054	-0.009
Intl Bond	$0.892	0.948	-0.004
American Fund	$1.891	2.011	-0.019
American Smaller Cos	$1.164	1.238	-0.004
Australian Fund	£1.596	1.697	+0.017
British Fund	£1.528	1.625	-0.001
European Fund	£2.195	2.335	-0.004
Gold Fund	£0.820	0.872	+0.011
Hong Kong Fund	£1.582	1.682	-0.004
International Fund	£1.442	1.533	-0.001
Japanese Fund	£3.138	3.339	-0.008
Japan Smaller Cos	£5.361	5.703	+0.002
Singapore & Malaysian	£1.547	1.645	+0.002
Dollar Fixed Interest	$0.994	1.057	
Sterling Fixed Int	£0.899	0.956	+0.001
Deutschemark Currency		DM5.028	....
Dollar Currency		$1.024	-0.001
Sterling Currency		£1.030	....
Yen Currency		Y200.8	....
Managed Currency	£0.990	1.056	+0.002

Nikko Capital Mngt (Europe) Ltd

	Bid	Offer	+ or −
Japan Index Fund	Y4,179	4,180	....
New Generation Fd. S	$23.45	23.69	....
Japan Index Alpha	Y12,663	12,053	....
Jap Sector Rotation	Y16,429	10,583	....

Stronghold Asset Mngmt (Guernsey) Ltd

	Bid	Offer	+ or −
Tech and Comm.	£11.65	12.36	....
Pacific Basin Fd	$215.33	12.38	....
Western European	$19.95	21.25	....

Tyndall International (Guernsey) Ltd

	Bid	Offer	+ or −
Capital Defender	£1.24	1.31	-0.02
Hi Yield Bond	62.8	66.1	-0.2
Interest Sovr. Sits	52.8	55.5	-0.1
[illegible]	[illegible]	[illegible]	[illegible]

JERSEY (**)

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (**)

DUBLIN (**)

OFFSHORE INSURANCES

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

Wimbledon & South West Finance Co Ltd
114 Newgate St, London EC1 7AE 01-606 9485
High Int Cheque Acc ... 14.50 11.36 15.79 Qtr

NOTES—Gross rate to those exempt from composite rate of tax Net actual rate after deduction of CRT Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate Int Cr frequency interest credited

UNIT TRUST NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. b Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend. (**) Funds not SIB recognised.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Union worries hit D-Mark

THE D-MARK weakened yesterday as the foreign exchanges questioned the costs to the West German economy of monetary Union with its East German neighbour. Fears about the inflationary impact increased, but lack of enthusiasm for any alternative currency helped keep selling pressure off the D-Mark. Concern about losses suffered by Drexel Burnham Lambert continued to undermine confidence in the dollar, while the Japanese yen and sterling were steady but attracted no great demand.

Yesterday's meeting between leaders of the two German states agreed to set up a commission on monetary and economic union, and this could slow the pace of moves to bring together East and West Germany. It came as something of a disappointment to a market, but with hindsight was the likely outcome, ahead of next month's East German parliamentary elections. Mr Hans Modrow, the East German Prime Minister,Had warned that agreement on monetary union would not be immediate when he arrived in Bonn yesterday.

The D-Mark was steady towards the top of the European Monetary System, but lost a little ground to the Italian lira and French franc. The lira remained the strongest EMS member, with the D-Mark falling to L743.05 from L743.95 at the London close. Earlier in Milan the D-Mark was fixed at L742.45, against L743.74 on Monday. At the finish of trading in London the D-Mark had also eased to FFr3.4000 from FFr3.4022 against the French franc.

Lack of firm monetary proposals from the Bonn meeting and reports of further disturbances in Soviet Central Asia provided support for the dollar. The Drexel affair weighed against the currency however, following news that the US investment bank has defaulted on about $100m of loans and might even file for bankruptcy. A rise of 1.6 per cent in January US retail sales was in line with expectation and had little impact.

At the London close the dollar was generally firmer, but well below the day's highs. It rose to DM1.6765 from DM1.6695; to Y144.35 from Y144.20; to SFr1.4965 from SFr1.4960; and to FFr5.7000 from FFr5.6800. The dollar's index rose to 67.1 from 66.9.

Sterling was on the sidelines, but high London interest rates continue to make the pound a potential beneficiary from any moves out of other currencies. Sterling fell ½ cent to $1.6910. It also declined to SFr2.5300 from SFr2.5375 and to Y244.00 from Y244.50, but rose to DM2.8350 from DM2.8325 and to FFr9.6375 from FFr9.6325. The pound's index remained unchanged at 89.4.

The South African financial rand was steadier after Monday's volatility. It was helped by comments from Mr Nelson Mandela that the African National Congress is committed to economic growth in South Africa. In London the dollar fell to R3.43 from R3.54 against the financial rand.

EURO-CURRENCY INTEREST RATES

Feb 13	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14⅞-14¾	15-14⅞	15⅛-15	15⅛-15⅛	15⅛-15⅛	15⅛-15⅛
US Dollar	8⅜-8¼	8¼-8¼	8⅜-8⅛	8⅜-8¼	8⅜-8⅛	8⅜-8½
Can. Dollar	12½-12¼	12⅝-12⅜	12⅝-12⅛	12⅜-12⅜	12½-12¼	12⅛-11⅞
D. Guilder	9-8½	9-8⅞	9-8⅞	9⅛-9	9⅛-9⅛	9⅜-9⅛
Sw. Franc	9⅜-9⅛	9⅜-9⅛	9½-9⅜	9⅝-9⅜	9⅝-9⅝	9⅝-9⅝
Deutschmark	8-7⅞	8⅛-7⅞	8⅛-8⅛	8⅝-8⅜	8⅝-8⅝	9⅜-9⅛
Fr. Franc	10⅛-10⅞	10⅜-10⅛	10¾-10⅝	11⅛-11	11⅜-11⅛	11⅛-11⅛
Italian Lira	13-11	14-13	13⅛-12⅞	13¼-12¾	13⅛-12⅞	13⅛-13⅛
B. Fr. (Fin)	9⅞-9⅞	10⅛-10⅛	10⅛-10⅛	10⅛-10⅛	10⅝-10⅝	11-10⅞
B. Fr. (Con)	10-9⅞	10⅛-10⅛	10⅛-10⅛	10⅞-10⅛	11-10⅝	11⅛-10⅛
Yen	6⅛-6⅛	6⅛-6⅜	6⅝-6⅝	7⅛-7⅛	7⅜-7⅛	7⅛-7⅛
D.Krone	12⅛-11⅞	12⅛-12⅛	12⅛-12⅛	12⅛-12⅛	12⅛-12½	12⅛-12⅛
Asian $Sing	8¼-8⅛	8⅛-8⅛	8⅛-8⅛	8⅛-8¼	8⅜-8¼	8⅛-8½

Long term Eurodollars: two years 8⅞-8¾ per cent; three years 9-8⅞ per cent; four years 9⅛-9 per cent; five years 9⅛-9⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

Feb.13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6815 - 1.6925	1.6905 - 1.6915	0.86-0.84cpm	6.03	2.68-2.65pm	6.30
Canada	2.0190 - 2.0310	2.0280 - 2.0290	0.37-0.30cpm	1.98	1.14-1.01pm	2.12
Netherlands	3.19 - 3.20¼	3.19 - 3.20	1½-1⅜cpm	5.40	4½-4⅜pm	5.56
Belgium	59.10 - 59.45	59.30 - 59.40	22-19cpm	4.14	64-59pm	4.14
Denmark	10.93½ - 10.98½	10.97½ - 10.98½	2½-2⅛orepm	2.53	7-6⅝pm	2.44

EXCHANGE CROSS RATES

Feb.13	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.691	2.835	244.0	9.638	2.530	3.195	2107	2.029	59.95
$	0.591	1	1.677	144.3	5.700	1.496	1.889	1246	1.200	35.10
DM	0.353	0.596	1	86.07	3.400	0.892	1.127	743.2	0.716	20.93
YEN	4.098	6.930	11.62	1000.	39.50	10.37	13.09	8635	8.316	243.2
F Fr.	1.038	1.755	2.941	253.2	10.	2.625	3.315	2186	2.105	61.58
S Fr.	0.395	0.668	1.121	96.44	3.809	1	1.263	832.8	0.802	23.46
H Fl.	0.313	0.529	0.887	76.37	3.017	0.792	1	659.5	0.635	18.58
Lira	0.475	0.803	1.346	115.8	4.574	1.201	1.516	1000.	0.963	28.17
C $	0.493	0.833	1.397	120.3	4.750	1.247	1.575	1038	1	29.25
B Fr.	1.685	2.849	4.777	411.1	16.24	4.263	5.383	3550	3.419	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

OTHER CURRENCIES

Feb.13	£	$
Finland	6.6705 - 6.6915	3.9575 - 3.9675
Greece	265.40 - 269.90	157.35 - 159.95
Hong Kong	13.1530 - 13.1665	7.8100 - 7.8120
Iran	117.00*	69.25*
Korea(Sth)	1154.80 - 1173.45	686.20 - 691.60
Kuwait	0.48910 - 0.50570	0.28980 - 0.29950
Luxembourg	59.30 - 59.40	35.05 - 35.15
Malaysia	4.5515 - 4.5630	2.7035 - 2.7055
Mexico	4593.05 - 4601.70	2726.00 - 2730.00
N. Zealand	2.8350 - 2.8400	1.6830 - 1.6860
Saudi Ar.	6.3295 - 6.3335	3.7500 - 3.7510
Singapore	3.1380 - 3.1450	1.8640 - 1.8660
S. Af (Cm)	4.2875 - 4.2985	2.5490 - 2.5505
S. Af (Fn)	5.7305 - 5.8300	3.4015 - 3.4605
Taiwan	43.95 - 44.05	26.10 - 26.15
U.A.E.	6.1975 - 6.2020	3.6720 - 3.6730

*Selling rate

MONEY MARKETS

Easier credit supply

THE YIELD structure was flat from three to 12 months on the London money market yesterday. Rates were quoted at 15⅛-15⅛ per cent for all periods, compared with 15⅛-15¼ for three-month and 15¼-15⅛ for 12-month money on Monday. The lack of a yield curve illustrates the markets expectation that bank base rates will remain at 15 per cent in the foreseeable future.

On Liffe short sterling futures traded in a narrow range but finished firmer on the day. The June contract opened slightly weaker at 85.25. This was the day's low, with the price touching 85.32 before closing at 85.31, against 85.26 previously.

UK clearing bank base lending rate 15 per cent from October 5

Credit conditions in London were easier than of late. The Bank of England forecast a day-to-day money market shortage of £300m, but gave help of only £98m. The authorities did not operate in the market before lunch, but in the afternoon bought £78m bills outright, by way of £1m Treasury bills in band 2 at 14⅞ per cent and £77m bank bills in band 2 at 14⅞ per cent. Late assistance of around £20m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £119m, with the unwinding of repurchase agreements on bills absorbing £589m. These outweighed Exchequer transactions adding £300m to liquidity, a fall in the note circulation of £50m, and bank balances above target of £45m.

In Frankfurt call money was unchanged at 7.80 per cent, but fixed period rates were firmer on nervousness about the implications of monetary union between East and West Germany. Three-month money rose to 8.30 from 8.10 per cent. The Bundesbank council meets on Thursday when the main topic of discussion is expected to be monetary union. It is thought in the market that the central bank will not agree an increase in official interest rates.

Banks are well supplied with liquidity at present, but tax payments will soon drain money. This led to suggestions that the Bundesbank might allocate extra funds at this week's securities repurchase tender.

The market has been invited to make variable bids at a two-tranche tender, for 28-day and 63-day funds. This is needed to replace a total of DM17.8bn leaving the market today, as two earlier facilities expire.

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.13) 3 months US dollars		6 months US Dollars	
bid 8¼	offer 8⅜	bid 8⅛	offer 8⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10
Broker loan rate	9¼
Fed.funds	8⅛
Fed.funds at intervention	-

Treasury Bills and Bonds

One month	6.90	Three year	8.22
Two month	7.92	Four year	8.28
Three month	7.79	Five year	8.31
Six month	7.96	Seven year	8.35
One year	7.96	10-year	8.35
Two year	8.21	30-year	8.40

Feb.13	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.75-7.85	7.45-7.60	7.95-8.10	8.20-8.40	8.55-8.75	8.00
Paris	10⅝-10⅞	10⅞-10⅞	-	11⅛-11⅛	-	9.50
Zurich	8⅝-8⅞	9⅛-9⅜	-	9⅝-9⅜	-	-
Amsterdam	8.75-8.88	8.90-9.00	-	9.00-9.10	-	-
Tokyo	6½-6⅞	6⅞-6¾	-	6⅞-7⅛	-	-
Milan	12⅞-13	13⅞-14⅛	-	13⅛-13⅛	-	-
Brussels	7.00	10⅞-10⅛	-	10⅝-10⅞	-	-
Dublin	11⅛-11⅜	11⅛-11⅞	11⅛-11⅞	11⅛-11⅞	11⅞-11⅞	-

LONDON MONEY RATES

Feb 13	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15⅛	14⅞	15⅛	15⅛	15¼	15¼
Interbank Bid	13½	14⅝	14⅞	15⅛	15⅛	15⅛
Sterling CDs.	-	-	15	15⅛	15⅛	15⅛
Local Authority Deps.	14½	14¾	15	15⅛	15⅛	15
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15¼	14¾	14⅞	14⅞	-	-
Company Deposits	-	-	15	15⅛	15⅛	15⅛
Finance House Deposits	-	-	15⅛	15⅛	15⅛	15⅛
Treasury Bills (Buy)	-	-	14⅞	14⅞	-	-
Bank Bills (Buy)	-	-	14⅞	14⅞	14⅛	-
Fine Trade Bills (Buy)	-	-	15⅛	15⅛	14⅞	-
Dollar CDs.	-	-	8.25	8.30	8.30	8.55
SDR Linked Dep. Offer	-	-	9	9⅛	9⅛	9½
SDR Linked Dep. Bid	-	-	8⅞	9⅛	9⅛	9⅜
ECU Linked Dep. Offer	-	-	10⅞	11⅛	11⅛	11⅛
ECU Linked Dep. Bid	-	-	10⅝	11⅛	11⅛	11½

Treasury Bills (sell); one-month 14⅞ per cent; three months 14⅞ per cent; Bank Bills (sell): one-month 14⅞ per cent; three months 14½ per cent; Treasury Bills; Average tender rate of discount 14.4955 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day January 31, 1990. Agreed rates for period February 26 1990 to March 25, 1990, Scheme I: 15.89 p.c., Schemes II & III: 16.43 p.c. Reference rate for period Dec.30,1989 to January 31, 1990, Scheme IV&V: 15.199 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from February 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989, Deposits withdrawn for cash 5 per cent.

FINANCIAL FUTURES AND OPTIONS

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6910	1.6825	1.6644	1.6388	1.5963

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Mar	1.6740	1.6746	1.6720	1.6824
Jun	1.6470	1.6480	1.6450	1.6558
Sep	1.6230	1.6230	1.6230	1.6318

CAC-40 FUTURES (MATIF)
Stock Index

	Open	Close	Change	High	Low	Open Int
February	1857.0	1848.0	-12.5	1866.0	1840.0	5,236
March	1854.0	1853.0	-5.5	1863.0	1853.0	1,342
April	1857.0	1854.0	-6.5	1857.5	1854.0	173
June	1855.0	1855.0	-17.5	1855.0	1855.0	17

Estimated volume 5,518 Total Open Interest 6,768

BASE LENDING RATES

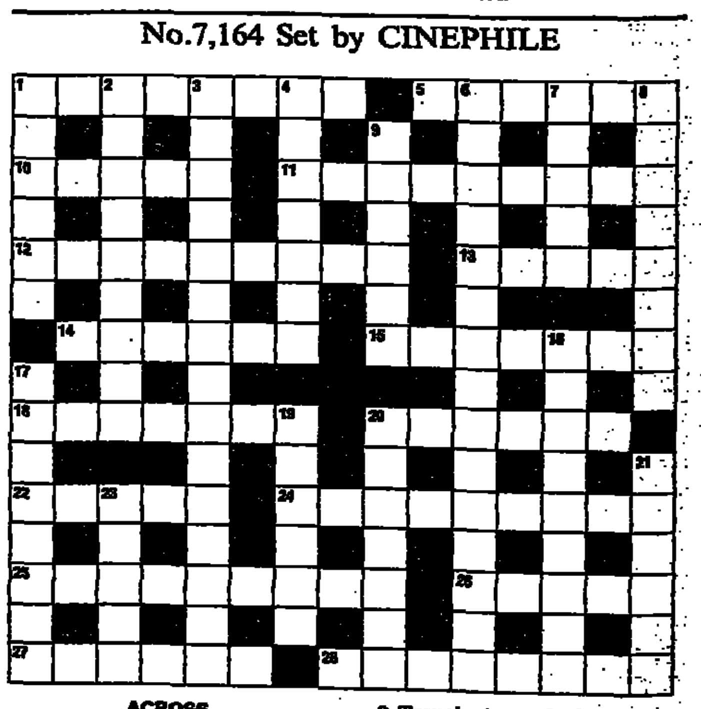
	%		%		%
ABN Bank	15	Co-operative Bank	*15	NatWestminster	15
Adam & Company	15	Coutts & Co	15	Northern Bank Ltd	15
Allied Trust Bank	15	Cyprus Popular Bk	15	Norwich Gen. Trust	15
Allied Irish Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
● Henry Ansbacher	15	Duncan Lawrie	15	PRIVATbanken Limited	15
Associates Cap Corp	15½	Equatorial Bank plc	15	Provincial Bank PLC	16
● B & C Merchant Bank	15	Exeter Trust Ltd	15½	Roxburghe G'rantee	15½
Bank of Baroda	15	Financial & Gen. Bank	15	Royal Bk of Scotland	15
Banco Bilbao Vizcaya	15	First National Bank Plc.	16	Royal Trust Bank	15
Bank Hapoalim	15	● Robert Fleming & Co.	15	● Smith & Williamson Secs.	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	Standard Chartered	15
Bank of Cyprus	15	Girobank	15	TSB	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk. N. East	15	Mount Banking	15		
		Nat Bk. of Kuwait	15		

● Members of British Merchant Banking & Securities Houses Association. * Deposit now 5.9% Sanewise 8.5%. Top Tier-£10,000+ instant access 12.8% ‡ Mortgage base rate. § Demand deposit 9%. Mortgage 15.2% - 15.95%

JOTTER PAD

CROSSWORD

No.7,164 Set by CINEPHILE



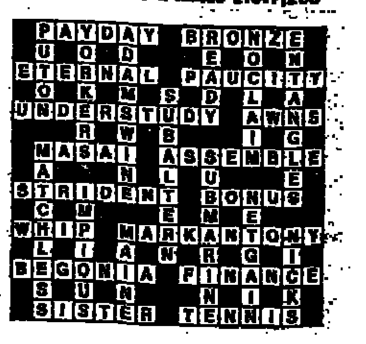
ACROSS

1 They bite a bit, being bubbly (8)
5 Place for watering French wine: result, increased hock (6)
10 First, for example, is sponsorship (5)
11 Fellow-sister with instrument like a crossword clue? (9)
12 Flirting by Democrat leader with former name? (9)
13 My turn to distribute? Perfect! (5)
14 Boat that's drab and hard inside (6)
15 Sack princess's maid (7)
18 Runner, maybe, handicapped during unusual heat (7)
20 Pass off please (6)
22 Forcibly remove the others, we hear (5)
24 Play down ruin of pet lads (4-5)
25 Story teller to read in speed at old city (9)
26 Ring, as for bulls, is catching (5)
27 You catch the sun, very nearly (6)
28 The sound of fresh flower is trouble (8)

DOWN

1 French painter's name (include article) (6)
2 Shark needs a fleshing out (5,4)
3 Transient words in judge's task (7,8)
4 Little change from 1811-1820 to modernity? (7)
6 Broken chairs left between writers and queen: it gives writer a point (6,9)
7 Enthusiasm of lover, very likely (5)
8 Seen alms distributed for the unchristened? (8)
9 Home owner's document? Certainly! (6)
16 Worming its way in with man getting bills (9)
17 Representations increase with plant (8)
19 Oriental flower festival (6)
20 Compel a measure of printing for the establishment (7)
21 Tool for those having a quiet rest? (6)
23 Do better than forty, as the Romans say (5)

Solution to Puzzle No.7,163



WORLD STOCK MARKETS

AUSTRIA

February 13	Sch.	+ or −
[illegible]	[illegible]	[illegible]

BELGIUM/LUXEMBOURG

February 13	Frs.	+ or −
[illegible]	[illegible]	[illegible]

DENMARK

February 13	Kr	+ or −
[illegible]	[illegible]	[illegible]

FINLAND

February 12	Mks	+ or −
[illegible]	[illegible]	[illegible]

FRANCE

February 13	Frs.	+ or −
[illegible]	[illegible]	[illegible]

FRANCE (continued)

February 13	Frs.	+ or −
[illegible]	[illegible]	[illegible]

GERMANY

February 13	Dm.	+ or −
[illegible]	[illegible]	[illegible]

GERMANY (continued)

February 13	Dm.	+ or −
[illegible]	[illegible]	[illegible]

ITALY

February 13	Lire	+ or −
[illegible]	[illegible]	[illegible]

ITALY (continued)

February 13	Lire	+ or −
[illegible]	[illegible]	[illegible]

NETHERLANDS

February 13	Fls.	+ or −
[illegible]	[illegible]	[illegible]

NORWAY

February 13	Kroner	+ or −
[illegible]	[illegible]	[illegible]

SPAIN

February 13	Pts. %	+ or −
[illegible]	[illegible]	[illegible]

SWEDEN

February 13	Kroner	+ or −
[illegible]	[illegible]	[illegible]

SWITZERLAND

February 13	Frs.	+ or −
[illegible]	[illegible]	[illegible]

SOUTH AFRICA

February 13	Rand	+ or −
[illegible]	[illegible]	[illegible]

JAPAN

February 13	Yen	+ or −
[illegible]	[illegible]	[illegible]

AUSTRALIA (continued)

February 13	Aust.$	+ or −
[illegible]	[illegible]	[illegible]

AUSTRALIA

February 13	Aust.$	+ or −
[illegible]	[illegible]	[illegible]

HONG KONG

February 13	H.K.$	+ or −
[illegible]	[illegible]	[illegible]

MALAYSIA

February 13	MYR	+ or −
[illegible]	[illegible]	[illegible]

SINGAPORE

February 13	S$	+ or −
[illegible]	[illegible]	[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

2pm prices February 13

Quotations in cents unless marked $.

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6700	Canamax o	320	315	315	− 5
100000	Canfor	$27½	28½	28¼	− ⅞
600	Canron A	$12½	12½	12½	
1200	Cara	$16⅜	16½	16⅜	
3702	Cara A f	$16¼	16⅛	16⅛	+ ⅛
876	Celanese	$27¾	27⅞	27¾	− ⅛
5675	Can Capital	$11¼	11	11¼	+ ⅛
109300	CenCap A	$9⅝	9½	9⅝	+ ⅛
18550	CanFd A	$7¼	7	7	+ ⅛
4100	C Guar Trc	$10⅛	10	10	
3000	Cheren	37	37	37	
15000	Chieftan	$24¼	24⅛	24⅛	+ ⅝
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6350	Hollingr	$12⅛	12	12⅛	+ ⅛
21000	Horsham f	$12	11⅞	11⅞	− ⅛
1018	H Baymin s	$7⅞	7⅞	7⅞	− ⅛
424	H Bay Co	$29⅞	29⅞	29⅞	− ⅛
8052	Imasco L	$34⅞	34½	34⅞	+ ⅛
8225	Imp Oil A	$63⅞	63½	63⅞	− ⅛
899640	Inco	$27¼	26⅞	27¼	+ ⅛
4800	Innopac	$8⅛	8⅛	8⅛	− ⅛
3600	Inter City	$22⅞	22⅞	22⅞	
1247	Interhome	$48¼	48	48¼	+ ¼
2500	Inv Grp	$23⅞	23⅞	23⅞	− ⅛
3800	Ivaco A f	$11	10⅞	10⅞	− ⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
58536	Powr Cor f	$15⅝	15⅝	15⅝	− ⅛
60800	Powr Fin	$21	20⅞	20⅞	− ⅛
53300	Provigo	$10⅛	10	10⅛	+ ⅛
1900	Que Tel	$15½	15½	15½	
16863	Ranger	$7¼	7⅛	7⅛	− ⅛
24400	Rayrock f	$10⅝	10½	10½	+ ⅛
1000	Reitman A f	$16	16	16	− ½
173486	Renaissnce	$27⅝	27½	27⅝	+ ⅛
13200	Repap f	$9	8⅞	8⅞	− ⅛
8465	Rio Algom	$19¾	19⅝	19⅝	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
100	Wst Fraser	$18¼	18¼	18¼	
2344	Wcoast E	$20¾	20½	20¾	
8289	Westmin	$8	8	8	
37000	Weston	$41	41	41	− ¼
1164	Woodwd A	220	215	215	+ 4
100	Xerox Can	$21	21	21	− 1

f–No voting rights or restricted voting rights.

INDICES

NEW YORK

DOW JONES	Feb 13	Feb 12	Feb 9	Feb 8	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
φIndustrials	2624.10	2619.14	2648.20	2644.37	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	91.49	91.32	91.27	90.98	94.15 (2/8/89)	87.35 (23/3/89)	—	—
Transport	1084.10	1075.75	1088.19	1084.99	1532.01 (5/9/89)	959.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	222.40	221.45	223.91	222.90	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

φDay's High 2639.19 (2652.48) Low 2592.57 (2610.59)

STANDARD AND POOR'S

	Feb 13	Feb 12	Feb 9	Feb 8	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	331.02	330.08	333.62	332.96	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	382.31	381.28	385.57	384.99	411.20 (2/1/90)	318.66 (3/1/89)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	27.81	27.74	27.93	27.91	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	182.85	182.55	184.39	184.09	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	358.45	358.87	360.79	357.69	397.03 (10/10/89)	305.24 (3/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	425.75	426.38	428.84	427.32	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Feb 9	Feb 2	Jan 26	year ago (approx.)
Dow Industrial Div. Yield	4.09	4.16	4.20	3.63

	Feb 7	Jan 31	Jan 24	year ago (approx.)
S & P Industrial div. yield	3.09	3.13	3.11	3.04
S & P Indl. P/E ratio	14.23	14.04	14.09	13.85

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Western Union	3,739,900	1⅛	+ ⅛
VF Corp	2,138,100	31	+ ½
IBM	1,791,400	103¼	+ 2⅛
Gen Electric	1,711,700	62⅛	− ⅛
Philip Morris	1,627,600	38¾	+ ⅛
Schlumberger	1,506,000	49⅝	+ ⅝
Chase Manhattan	1,491,200	27	− ⅝
Am T&T	1,442,900	40	+ ⅜
Fannie Mae	1,224,400	33¼	+ ½
Cons Rail	1,197,000	49½	+ ⅞

TRADING ACTIVITY

† Volume (Millions)	Feb 13	Feb 12	Feb 9
New York	144.440	118.390	147.762
Amex	10.035	8.210	10.060
NASDAQ	(u)	113.032	125.327
Issues Traded	1,962	1,953	1,954
Rises	677	466	819
Falls	793	1,049	660
Unchanged	492	438	475
New Highs	16	15	22
New Lows	90	77	51

CANADA TORONTO

	Feb 13	Feb 12	Feb 9	Feb 8	1989/90 HIGH	1989/90 LOW
Metals & Minerals	2947.19	2933.48	2978.93	3000.08	3919.2 (1/9/89)	2933.48 (12/2/90)
Composite	3751.86	3766.27	3777.78	3783.33	4037.8 (6/10/89)	3350.5 (6/1/89)
MONTREAL Portfolio	1897.74	1899.14	1909.96	1907.52	2069.68 (10/10/89)	1677.48 (3/1/89)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Feb 13	Feb 12	Feb 9	Feb 8	1989/90 HIGH	1989/90 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1628.2	1623.4	1630.6	1648.4	1781.8 (29/8/89)	1412.9 (7/4/89)
All Mining (1/1/80)	834.9	828.8	833.0	842.2	875.1 (29/8/89)	652.6 (7/4/89)
AUSTRIA						
Credit Aktien (30/12/84)	624.15	627.60	631.38	628.65	631.38 (9/2/90)	219.5 (2/1/89)
BELGIUM						
Brussels SE (1/1/80)	5850.07	6019.81	6103.82	6116.13	6805.28 (26/9/89)	5519.30 (4/1/89)
DENMARK						
Copenhagen SE (3/1/83)	371.64	373.17	376.21	375.61	380.32 (5/2/90)	275.49 (27/2/89)
FINLAND						
Unitas General (1975)	659.8	662.6	665.4	665.6	815.8 (18/4/89)	580.8 (23/11/89)
FRANCE						
CAC General (31/12/82)	509.45	518.20	522.39	519.22	561.6 (11/10/89)	417.9 (4/1/89)
CAC 40 (31/12/87)	1845.43	1867.40	1898.25	1905.51	2006.42 (4/1/90)	1525.38 (27/2/89)
GERMANY						
FAZ Aktien (31/12/58)	776.47	771.28	791.04	796.88	807.13 (5/2/90)	535.78 (27/2/89)
Commerzbank (1/12/53)	2273.9	2261.7	2319.9	2338.6	2370.8 (6/2/90)	1595.7 (27/2/89)
DAX (30/12/87)	1840.98	1860.39	1885.89	1915.79	1939.43 (5/2/90)	1271.70 (23/2/89)
HONG KONG						
Hang Seng Bank (31/7/64)	2863.55	2894.66	2893.90	2903.77	3309.64 (15/5/89)	2093.61 (5/6/89)
IRELAND						
ISEQ Overall (4/1/88)	1828.56	1840.98	1848.78	1846.43	1893.18 (22/1/90)	1360.64 (10/1/89)
ITALY						
Banca Com. Ital. (1972)	666.55	665.94	671.82	677.73	734.84 (31/8/89)	577.49 (28/2/89)
JAPAN						
Nikkei (16/5/49)	37107.03	(c)	37288.14	37516.24	38915.87 (29/12/89)	30183.79 (5/1/89)
Tokyo SE (Topix) (4/1/68)	2722.33	(c)	2734.17	2745.15	2884.80 (18/12/89)	2366.91 (6/1/89)
2nd Section (4/1/68)	4273.95	(c)	4284.68	4258.57	4284.68 (9/2/90)	2774.38 (27/3/89)
MALAYSIA						
KLSE Composite (4/4/86)	610.92	609.06	605.79	611.00	611.97 (7/2/90)	357.31 (3/1/89)
NETHERLANDS						
CBS Tll.Rtn.Gen.(End 1983)	249.3	248.8	252.1	253.9	272.7 (21/9/89)	208.3 (3/1/89)
CBS All Shr (End 1983)	191.3	190.8	193.4	194.7	210.5 (8/9/89)	166.7 (1/3/89)
NORWAY						
Oslo SE (2/1/83)	795.37	797.32	803.41	810.32	810.32 (8/2/90)	467.17 (2/1/89)
PHILIPPINES						
Manila Comp (2/1/85)	1056.10	1047.94	1041.06	1035.54	1396.26 (20/11/89)	804.62 (6/2/89)
SINGAPORE						
SES All-Singapore (2/4/75)	438.75	442.04	438.82	440.17	443.34 (6/2/90)	300.07 (4/1/89)
SOUTH AFRICA						
JSE Gold (28/9/78)	2034.0&	2090.0	2172.0	2205.0	2254.0 (12/12/89)	1291.8 (15/2/89)
JSE Industrial (28/9/78)	3137.0&	3150.8	3178.0	3198.0	3211.0 (6/2/90)	1961.0 (3/1/89)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	866.57	867.85	879.10	882.52	1007.80 (3/4/89)	844.75 (11/12/89)
SPAIN						
Madrid SE (30/12/85)	283.34	285.47	286.52	288.47	328.93 (13/9/89)	268.61 (1/3/89)
SWEDEN						
Jacobson & P. (31/12/56)	(u)	(u)	(u)	(u)	4660.3 (16/8/89)	3333.9 (3/1/89)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	767.2	768.4	773.2	776.1	829.2 (6/9/89)	613.1 (3/1/89)
TAIWAN**						
Weighted Price (30/6/66)	12126.96	12424.53	12417.47	12054.51	12495.34 (10/2/90)	4873.01 (5/1/89)
THAILAND						
Bangkok SET (30/4/75)	795.12	801.95	805.39	805.39	918.67 (5/1/90)	386.73 (2/1/89)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	539.3	541.5	543.9	571.0 (4/1/90)	487.6 (13/6/89)

**Saturday Feb. 10: Taiwan Weighted Price: 12495.34 Korea Comp Ex. 873.59

& Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday February 13 1990

	Stocks Traded	Closing Prices	Change on day
Toshiba	5.4m	1,190	+30
Nippon Steel	4.1m	705	+4
Tokyo Steel Mfg.	3.9m	5,610	+180
NKK	3.7m	690	-5
Amada Wasino	3.6m	1,380	-20
Nippon Beet Sgr.	3.6m	1,650	-30
Kawasaki Steel	3.5m	781	+4
Origin Elctrc	3.5m	1,750	+140
MHI	3.3m	1,090	0
Hitachi	3.2m	1,510	-10

4pm prices February 13

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	24¼	AAR	.48	1.6	16	745	30½	30¼	30¼	
9¾	8½	ACM g	1.01	11.		211	9¼	9⅛	9⅛	
11⅝	10½	ACMIn	1.26	11.		466	11⅛	11	11⅛	+ ⅛
9⅞	8	ACM M	p1.01	12.		254	8¼	8⅛	8⅛	– ⅛
12⅛	11⅝	ACMMM				728	11⅝	d11½	11½	– ⅛
11½	10	ACM Sc	1.26	11.		1016	11⅛	11	11⅛	
9⅝	8⅝	ACMSp	1.01	11.		340	9¼	9⅛	9¼	
19⅝	11½	AL Lab	.16	.9	19	42	18¾	18½	18⅝	
4⅛	3¼	AMCA	.12e	3.6	6	3	3⅜	3¼	3⅜	
6⅛	3⅞	AM Ind			8	332	3⅝	3⅝	3⅝	
23½	16⅝	AM In pf	2	12.		8	17½	17⅜	17⅜	
107¼	52½	AMR			8	3127	54⅝	53⅝	54⅜	+ ⅝
5½	3⅛	ARX				23	3⅜	3⅜	3⅜	
72⅝	39	ASA	3a	4.9		9960	64⅞	61	61¼	–3⅛
70⅛	48¼	AbtLab	1.40	2.2	17	5122	64⅝	63⅛	64¼	+ ⅝
17⅞	11¼	AbitibI	g .50			14	12⅞	12⅝	12⅞	
13	8⅞	AcmeC	.40	4.5	10	126	9	8⅞	8⅞	
9¾	6	AcmeE	.32	3.6	11	10	8⅞	8⅞	8⅞	– ⅛
38½	26½	Acuson			21	496	32⅝	32	32¼	– ⅝
16½	12⅞	AdaEx	2.06e	13.		x122	16½	15⅝	15½	+ ⅛
16⅝	7¼	Adobe				121	13¼	13	13⅛	
20¼	16⅞	Adob pf	1.84	9.7		26	19	19	19	+ ⅛
21⅝	19⅞	Adob pf	2.40	11.		7	21¼	21	21	
10½	6⅞	AMD			5	763	7¼	7	7⅛	+ ⅛
35	28¼	AMD pf	3	10.		14	30⅛	29⅝	30⅛	+ ⅞
10⅛	6	Advest	.16	2.7	8	99	6	d 5⅞	5⅞	– ⅛
62½	48½	AetnLf	2.76	5.6	8	2532	49⅝	48⅝	49⅛	– ¼
14	9⅞	AffilPb	.24	2.2		223	10⅞	10¾	10¾	– ⅛
26	18⅛	Ahmans	.88	4.8	9	1408	18⅞	18½	18½	
[illegible]										

Continued on Page 41

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
69	52½	Xerox	3	5.6	8	1455	53¾	53½	53½	- ⅛
41⅞	23½	XTRA	.72	2.9	30	22	24⅝	24½	24⅝	+ ⅛
32¼	21¼	XTRA pf1.94		9.1		124	21¼	d21	21¼	- ¼
4¼	2⅞	Zapata				1073	3⅛	3	3⅛	
12⅛	7¼	Zemex	.20	2.7		12	7½	7½	7½	- ⅛
21½	8⅞	ZenithE				1813	9	8⅝	8⅝	- ⅛
21½	15⅝	ZenNtl	.84	5.9	7	949	15⅝	d14	14½	-1½
9⅞	5¾	Zenix	1.08	17.		812	6¾	6½	6½	- ⅛
18½	14	Zero s	.40	2.8	13	64	14⅞	14	14⅞	+ ⅛
44¾	25¾	Zurnin	.76	2.0	17	823	37⅞	37	37⅞	- ⅛
12⅞	10	Zweig	1.21e	11.		286	11⅝	11½	11½	- ⅛
10	8¾	ZweigTl	.98	10.		1052	9¼	9⅞	9⅞	- ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices February 13

NASDAQ NATIONAL MARKET

3pm prices February 13

AMERICA

Uncertainty over Drexel casts shadow on trading

Wall Street

UNCERTAINTY about the fate of Drexel Burnham Lambert hung over Wall Street yesterday, with equities trading in a narrowly mixed range in moderate volume, *writes Karen Zagor in New York.*

The big US investment firm yesterday said it was considering filing for bankruptcy protection and it had defaulted on $100m of loans. Furthermore, Drexel said it would liquidate positions of its government securities unit.

With the market focused on Drexel's future, players were cautious yesterday. The Dow Jones Industrial Average closed up 4.96 points at 2,624.10, after falling 29.06 points on Monday. Volume on the New York Stock Exchange was moderately heavy, with 145.9m shares changing hands.

The broader stock market picture was mixed, with the Standard & Poor's 500 up 0.94 points at 331.02, the American Exchange Composite was down 0.42 points at 358.45 and the New York Stock Exchange Composite rose 0.30 points to 182.85. On the big board, declining issues led those advancing by 793 to 677.

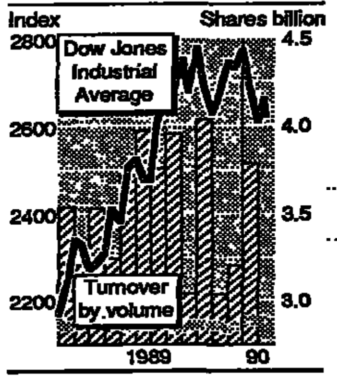
The Drexel news spurred a recovery in the bond market, where the Treasury's benchmark 30-year bond gained ⅜ point at midday, yielding 8.39 per cent, after falling more than 1 point a day earlier.

Concern over Drexel also dominated US currency trading, with the dollar weakening on the news to about DM1.6785 from an early morning high of DM1.6898.

In the stock market, the Drexel news prompted stock-index futures to fall to relatively small premiums to the cash indices, which in turn triggered a bout of selling of the underlying shares.

ITT gained $¾ to $52¾ after the company reported fourth-quarter net income of $1.87 a share against $1.26 the previous year. The earnings were above analysts' estimates.

New York SE



LA Gear added $⅝ to $25⅝ after the sports clothes manufacturer announced it had signed Joe Montana, the popular quarterback for the San Francisco 49ers football team, as a spokesman for an advertising campaign.

Chrysler slipped $⅛ to $16⅛ after the big auto manufacturer reported a fourth-quarter loss of $2.90 a share after a restructuring charge, against net income of $1.85 a share in the 1988 quarter. Chrysler also said it had agreed to sell its Gulfstream Aerospace subsidiary for $825m.

DeSoto jumped $2¾ to $39½ after Sutton Holding pressed the company to take prompt action on Sutton's takeover offer of $50 a share. Sutton said it might otherwise reduce its bid.

VMS Mortgage Investment Fund plunged $2⅛ to $1⅝ after the fund's sponsor, VMS Realty Partners, suspended the payment of principal and interest to its publicly traded mortgage funds and all other non-essential payments in order to conserve cash.

Echlin fell $⅝ to $13 after the company forecast that earnings per share for the three months to end-February would be about half the 23 cents of the previous year's period.

Mattel, the big US toy company, slipped $¾ to $18¾.

Canada

Trading was moderate throughout the session in Toronto.

The 300 composite index, which at one point had been down more than 22 points, lost 14.41 to 3751.86, with declines outnumbering advances 375 to 243. Volume was 26,672,000 shares, up from 23,097,000 shares.

Among gold producers, Placer Dome lost C$¼ to C$23⅝, Echo Bay was off C$⅝ to C$23¾, American Barrick dropped C$¼ to C$22⅝ and LAC Minerals fell C$¼ to C$15⅝.

Oslo bourse goes from strength to strength

Karen Fossli looks at proposals to liberalise further Norway's financial markets

THE OSLO bourse was one of last year's top world performers, and it has continued to hit new highs this year, lifted by higher oil prices, the domestic tax situation and a less restrictive investment climate.

Oslo's performance began to strengthen last year on the back of higher world crude oil prices, an unexpected cut in interest rates and abolition of a 1 per cent turnover tax.

This year began slowly, but domestic investors soon took advantage of tax-free mutual funds before a deadline at the end of January. By January 11, the all-share index had climbed by 7.7 per cent to hit a record 573.68. The industrial index had shot up by 10.6 per cent after a 39.4 per cent rise in the whole of 1989, against gains in the shipping index of 2 per cent and 60.1 per cent respectively.

This month, the all-share has pushed through the 600 barrier and analyst Mr Tom Skjelstad, of the Oslo-based Norse Securities, believes the index will catapult past 700 this year.

Equities gained their new impetus from an initiative by Norway's new, three-party, centre-right, coalition Government, which announced plans for further liberalisation of Norway's financial markets in January, and last week gave detailed plans in a white paper presented to the Storting, Norway's parliament.

Aimed at encouraging new investment, and stimulating growth in the economy, these included:

- A rise to 33 per cent from 25 per cent in the stakes that can be held by foreigners in Norwegian banks. The limit for companies is already 33 per cent, although applications to exceed the limit are treated liberally.
- A rise to 20 per cent from 12 per cent in the assets domestic life insurance companies can invest in stocks. A further rise to 25 per cent is being considered.
- A doubling of the amount which Norwegian banks will be allowed to invest in stocks.

The measure could free some NKr24bn for new equity investment, according to finance ministry estimates. When the announcement by the Government to raise the limit on the insurance companies' shareholdings was made, the insurance company index rose by 14 percentage points.

World crude oil prices, which have averaged about $20 a barrel so far this year, against $18 a barrel in 1989, have also supported investor confidence. Norse Securities believes that the price will remain at about $20 a barrel, but Mr Skjelstad is confident that Norway's oil-based economy could withstand prices of around $18.

On the corporate front, annual figures have started to filter through. For the most part, these show improvement, after a rocky three years which started in 1986 when world crude oil prices fell to below $10 a barrel, their lowest level in more than a decade.

"If you can forecast the oil price, then you can pin-point the Norwegian market," Mr Skjelstad believes.

When oil prices plunged in 1986, the previous minority Labour Government took draconian measures. These included a virtual freeze on wages and dividends, and strict price monitoring to help rein in rampant inflation and put the economy back on track.

Inflation was at about 10 per cent but has subsequently cooled to 4.2 per cent. The austerity programme which helped achieve this has led to record unemployment, and is the biggest single threat to the new coalition; but the market, impressed by corporate and industrial rationalisation programmes, seems more interested in profits than political prospects for the immediate future.

OSLO has been given responsibility for the production of monthly figures from the four Nordic stock exchanges. These show that it was the best performer in 1989, rising by 54.5 per cent against 33.6 per cent in Copenhagen, 23.2 per cent in Stockholm and a fall of 16.8 per cent in Helsinki.

Finland came back in January, as Helsinki rose by 8.5 per cent, followed by Oslo at 7.7 per cent and Copenhagen 2.2 per cent. Stockholm fell by 2 per cent. For December, the respective figures were 0.9 per cent, 8.6 per cent, 3 per cent and 7.1 per cent. A Nordic index compiled from these figures shows a rise of 1.3 per cent in January versus 5.9 per cent in December and 17.5 per cent for 1989 as a whole.

Stockholm has the highest market value of the four Nordic markets, at $118.6bn, and in January it had the highest turnover, at $1.89bn. However, Oslo is the most liquid, turning over 61.1 per cent of its market capitalisation last month compared with 19.1 per cent for Stockholm, 38.6 per cent for Helsinki and 36.4 per cent for Copenhagen.

The combined market value of the four Nordic exchanges in January hit $22.1bn, compared with $18bn in December.

ASIA PACIFIC

Investors remain cautious in run-up to elections

Tokyo

THE MARKET reopened after a long weekend with uneventful trading, which saw volume fall to its lowest level this year as investors remained wary before the national elections on Sunday, *writes Michiyo Nakamoto in Tokyo.*

Share prices drifted during the day and volume sank to a paltry 297m shares, the lowest Tokyo has seen this year. This compared with turnover of 364m on Friday when investors were particularly reluctant to commit themselves before a three-day weekend.

The Nikkei average opened weaker and fluctuated at lower levels before closing down 181.11 at 37,107.03. The day's high was at 37,350.93 while the low was at 37,093.99. Declines outnumbered advances by 601 to 318 while 209 issues were unchanged. The Topix index of all listed stocks lost 11.84 to 2,722.33 while in London the ISE/Nikkei index fell 4.4 to close at 2005.24.

The overnight fall on Wall Street and lower bond prices did their part to dampen sentiment. With only four trading days before the elections to the lower house of the Diet, investors were not inclined to jump back into a market that offered few in the way of buying incentives.

Although nothing has changed much in terms of Japan's economic fundamentals or the outlook for corporations, Sunday's elections have managed to cast a long dark shadow over the market. The outcome will have important implications for Japan's political future and a strong impact on the currency markets which, in turn, is likely to reverberate on to equities.

Investors, however, have so far been very cautious, as volume levels indicate, and the pre-election rally that had been predicted if the ruling Liberal Democrats showed an improvement in the polls, has not materialised so far.

However, there was continuing talk yesterday of the possibility that volume would surge towards the end of the week when the results of the last polls start coming in. Mr Nicola Salatti at UBS Phillips & Drew said investors had not yet decided which way the market will go but that once they do decide "things will move very fast."

Interest was scattered with some smaller capitalisation issues backed by good business prospects and low price to earnings ratios doing well.

Tokyo Steel Manufacturing saw a firm gain of Y180 to Y5,610 on expectations that its earnings, so far expected to be flat in the current business year, could be revised upwards on steady steel scrap prices. Tokyo Steel was also favoured for its low p/e ratio of 31. It was third in volume with 3.9m shares.

Some large capital issues saw renewed interest. Toshiba topped the actives list with 5.4m shares and gained Y30 to Y1,190. Some investors expected electricals to lead the market after the elections. Nippon Steel, second on the actives list with 4.1m shares, added Y4 to Y705. Trading was low key in Osaka and the OSE average fell 102.17 to 38,540.17 on thin volume of 34,87m shares, down from 76.63m traded on Friday.

Roundup

STABILITY returned to Australia yesterday, but other leading markets in the region were in decline.

AUSTRALIA gave a steady performance, as better-than-expected results from the Adelaide Steamship group swept aside recent concerns about companies' high debt levels.

The All Ordinaries index rose 4.9 to 1628.2 on volume of 91m shares worth A$171m, up from Monday's 78m and A$159m.

Adsteam, which fell 28 per cent from its 1990 high by the close on Friday, gained 22 cents or 4.4 per cent to A$5.22, after rising 28 cents on Monday. It reported a 21 per cent rise in first-half profits.

TAIWAN fell in active turnover, following its recent gains. The weighted index dropped 297.57 points, or 2.5 per cent, to 12,126.96 in turnover of NT$169bn, down from Monday's record NT$198bn.

HONG KONG continued to ease after last week's rally and following Wall Street's decline. The Hang Seng index lost 31.11, or 1 per cent, to 2,863.55, but light turnover at HK$800m, down from Monday's HK$859m, suggested that selling pressure was not heavy.

SINGAPORE lost all of Monday's gains and more, as the Straits Times Industrial index retreated from its record high to 1,575.88, down 17.89 points, or 1.1 per cent. Weakness on Wall Street, Tokyo and Hong Kong, as well as profit-taking, were blamed.

EUROPE

US worries undermine Paris and Brussels

EVENTS AT Drexel Burnham Lambert, the US investment bank, cast their shadow over the French and Belgian bourses, while the prospect of monetary union between East and West Germany worried Frankfurt, *writes Our Markets Staff.*

PARIS dipped suddenly towards the close after drifting lower in slow trade for most of the day. The sudden decline came on worries about Wall Street, after the news that the US investment bank, Drexel Burnham Lambert, was considering seeking protection under Chapter 11 of the federal bankruptcy code.

The CAC 40 index closed 21.97 points, or 1.2 per cent, down at 1,845.43 in turnover estimated at FFr2.5bn.

Perrier finished another FFr17 down at FFr1,473 after its 12 per cent plunge on Monday. This followed a report that the company's Japanese subsidiary was withdrawing mineral water stock and suspending shipments, afterthe weekend news of the discovery of contaminated bottles in North America.

Telecommunications and energy group CGE, one of the most active stocks, lost FFr15 to FFr540 on uncertainty over interpretation of the company's sales figures, said one salesman.

UAP, the state-controlled insurance company, lost FFr34 to FFr638 after it said on Monday that it would seek a capital increase of more than FFr10bn, half of which would be provided by the state, by the end of the month.

Michelin lost FFr2.50 to FFr129 in active trading. The company said that it could reduce its workforce this year, because a slowdown in tyre sales in the US might extend to Europe.

FRANKFURT sacrificed early gains to end 1 per cent lower, with investors worried about the prospect of German monetary union. The leaders of both Germanys have agreed to start talks on a common currency as early as next week.

The DAX index remained steady throughout most of the session, but fell markedly in the last 30 minutes of trade to close down 19.41 at 1,840.98. The midsession FAZ rose 5.19 to 776.47.

Investors were seen to be more selective. BMW stayed in favour, rising as much as 2.6 per cent on strong recommendations from several banks before falling back to close DM4 up at DM624. It was one of the shares that came under pressure at the end of the session, when rumours spread on the bourse floor that the Government was proposing an exchange rate of 2.40 East German marks for one West German mark.

Veba, the energy and utilities company, topped the turnover table with shares worth DM1.09bn changing hands. It closed down DM9 at DM443.

BRUSSELS suffered its biggest fall since last October's mini-crash, weakening across the board as Groupe Bruxelles Lambert, the holding company, fell BFr265 (6 per cent) to BFr4,070 because of Drexel Burnham Lambert's US problems. GBL owns a 35.9 per cent stake in Drexel via its Lambert Brussels Associates subsidiary.

The cash market index slid 169.80 points, or 2.8 per cent, to 5,850.07. News of Drexel's Chapter 11 considerations came after the Belgian market had shut for the day.

MILAN edged higher on short-covering before the end of the February trading account today. The Comit index added 0.61 to 666.55.

Enimont closed L12 down at L1,490 before a meeting of the shareholders' syndicate to discuss long-term strategy for the chemical venture.

ZURICH tracked Frankfurt for much of the day, but finished fairly steady, as the Crédit Suisse index eased 0.5 to 610.9 in moderate trading.

Pargesa, the holding company, fell on worries over its link with Drexel through its stake in Lambert Brussels Associates. Pargesa bearers lost SFr65 to SFr1,695.

AMSTERDAM finished mixed, worried about German monetary union and encouraged by a firmer domestic bond market. The CBS Tendency index rose 0.2 to 108.7.

Van Ommeren Ceteco, the trading, shipping and transport group, continued to rise, adding 30 cents to Fl 38.90, on takeover speculation.

MADRID went lower after news that the domestic consumer price index had risen 1 per cent in January after a 0.4 per cent gain in December. The general index eased 2.13 to 283.34, with banking shares leading the way down. Banco Santander fell Pta90 to Pta5,080.

STOCKHOLM fell as Sweden's minority Government warned that it might resign if its austerity package did not win parliamentary approval. The Affärsvärlden General index shed 18.3 to 1,194.0 in turnover of SKr76m.

Ericsson free B shares fell SKr25 to SKr887. Foreign investors appeared disappointed with Ericsson's profit forecast for 1990.

OSLO closed slightly lower in moderate trading, with the all-share index falling 1.24 to 604.17 in trading worth NKr362m. However, traders said the underlying trend was still positive.

SOUTH AFRICA

JOHANNESBURG stayed nervous yesterday, and although the market attempted a mid-morning rally, it closed weaker with the JSE Gold index falling 51 points to 2,034. The Industrial index lost 13 to 3,137.

Still fretting over Mr Nelson Mandela's support for the ANC nationalisation platform, most investors chose to wait for further developments.

Among mining issues, the heavyweight gold issue, Vaal Reefs lost R20 to R400 and Freegold R1.50 to R54. De Beers lost R2.90 to R66.35 and Rustenburg shed R3 to R76.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY FEBRUARY 13 1990						MONDAY FEBRUARY 12 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (84)	142.98	+0.4	125.36	126.05	+0.3	5.35	142.41	124.49	125.69	160.41	128.28	148.30
Austria (19)	246.22	−1.0	215.87	215.36	−0.3	1.23	248.58	217.30	215.91	248.58	92.84	95.49
Belgium (61)	139.58	−3.8	122.38	120.99	−3.0	4.60	145.07	126.81	124.67	160.02	125.58	134.84
Canada (120)	140.70	+0.0	123.36	122.26	−0.2	3.35	140.67	122.97	122.49	154.17	124.67	136.10
Denmark (36)	251.32	−0.9	220.35	221.92	−0.3	1.45	253.68	221.76	222.54	260.82	165.35	158.55
Finland (26)	149.63	−0.7	131.19	124.43	−0.2	2.39	150.61	131.66	124.69	159.16	118.63	147.07
France (125)	145.96	−1.8	127.97	130.51	−1.4	2.89	148.61	129.91	132.41	157.97	112.57	117.42
West Germany (96)	130.29	+0.2	114.23	113.56	+0.6	1.87	130.09	113.72	112.91	137.01	79.56	86.13
Hong Kong (48)	117.90	−1.0	103.37	118.23	−1.0	4.84	119.07	104.09	119.41	140.33	86.41	129.41
Ireland (17)	193.92	−1.2	170.02	173.05	−0.7	2.41	196.37	171.66	174.29	198.57	125.00	137.36
Italy (96)	95.66	−0.1	83.87	89.00	+0.2	2.58	95.74	83.69	88.80	102.11	74.97	79.94
Japan (455)	183.47	−0.5	160.86	167.40	−0.4	0.49	184.44	161.23	168.12	200.11	164.22	197.85
Malaysia (36)	243.41	+0.8	213.41	253.54	+0.8	2.09	241.45	211.06	251.49	243.87	143.35	155.51
Mexico (13)	370.48	+0.3	324.82	1105.02	+0.3	0.47	369.48	322.98	1102.02	371.93	153.32	164.29
Netherland (43)	136.82	−0.1	119.96	117.97	+0.2	4.56	136.98	119.74	117.89	145.66	110.63	113.85
New Zealand (18)	67.40	+0.0	59.09	60.29	+0.1	5.83	67.39	58.91	60.21	88.18	62.64	75.06
Norway (24)	235.96	−0.6	206.88	207.46	−0.1	1.38	237.37	207.50	207.73	241.58	139.92	157.95
Singapore (26)	195.10	−1.1	171.05	167.68	−1.0	1.74	197.20	172.39	169.30	199.38	124.57	139.65
South Africa (60)	221.99	+1.0	194.63	166.47	−2.1	3.35	219.77	192.11	170.05	251.39	115.35	123.93
Spain (43)	154.98	−1.1	135.88	127.28	−0.9	4.13	156.71	136.99	128.39	169.75	143.14	146.43
Sweden (35)	188.17	−2.2	164.98	171.18	−1.7	2.05	192.40	168.19	174.18	206.95	138.45	151.19
Switzerland (62)	95.83	−0.2	84.02	88.91	−0.1	2.02	96.01	83.93	89.04	99.12	67.81	77.00
United Kingdom (306)	158.09	−0.1	138.61	138.61	+0.2	4.56	158.27	138.35	138.35	164.31	133.28	151.40
USA (542)	133.97	+0.2	117.46	133.97	+0.2	3.54	133.67	116.85	133.67	146.29	112.13	118.80
Europe (989)	141.46	−0.5	124.03	124.09	−0.1	3.45	142.14	124.26	124.28	146.66	112.63	120.02
Nordic (121)	192.96	−1.4	169.18	165.80	−0.9	1.75	195.76	171.12	167.28	201.89	137.95	146.81
Pacific Basin (667)	179.52	−0.5	157.39	163.92	−0.4	0.73	180.43	157.72	164.59	194.72	160.44	192.94
Euro−Pacific (1656)	164.50	−0.5	144.22	148.05	−0.3	1.66	165.32	144.51	148.52	174.18	141.56	163.75
North America (662)	134.28	+0.2	117.73	133.24	+0.2	3.53	133.99	117.13	132.97	146.68	112.79	118.68
Europe Ex. UK (683)	130.01	−0.7	113.99	115.07	−0.4	2.71	130.96	114.48	115.48	135.73	96.30	100.70
Pacific Ex. Japan (212)	132.04	−0.1	115.77	120.16	−0.2	4.77	132.22	115.58	120.37	140.05	111.93	134.11
World Ex. US (1849)	164.35	−0.5	144.10	147.66	−0.3	1.75	165.11	144.33	148.15	173.77	141.49	162.36
World Ex. UK (2085)	151.96	−0.3	133.23	143.47	−0.2	2.07	152.36	133.19	143.75	162.00	136.98	145.08
World Ex. So. Af. (2331)	152.06	−0.3	133.32	142.80	−0.1	2.29	152.48	133.28	143.01	161.84	136.67	145.76
World Ex. Japan (1936)	138.03	−0.1	121.02	130.45	+0.0	3.54	138.12	120.74	130.42	145.52	114.51	120.50
The World Index (2381)	152.49	−0.3	133.69	142.97	−0.2	2.30	152.87	133.63	143.20	162.05	136.68	146.63

Prices for Finland & Sweden were not fully updated following problems at the exchanges.